

**ILLINOIS  
COMMERCE COMMISSION**

**ANNUAL REPORT  
ON ELECTRICITY, GAS, WATER  
AND SEWER UTILITIES**

**2002**

## ICC Annual Reports

This report is one of four annual reports issued by the Illinois Commerce Commission.

### **Annual Report on Electricity, Gas, and Water Utilities**

(issued 1985—1995 as Annual Report on Public Utilities)

This report may be obtained from:  
Illinois Commerce Commission  
Chief Clerk's Office  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-7434

Also on: [www.icc.state.il.us](http://www.icc.state.il.us)

### **Annual Report on Telecommunications**

This report may be obtained from:  
Illinois Commerce Commission  
Chief Clerk's Office  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-7434

Also on: [www.icc.state.il.us](http://www.icc.state.il.us)

### **Annual Report on the Transportation Regulatory Fund**

This report may be obtained from:  
Illinois Commerce Commission  
Transportation Division  
Walk-In Center  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-4654

### **Annual Report on the Use of the Grade Crossing Protection Fund**

This report may be obtained from:  
Illinois Commerce Commission  
Transportation Division  
Walk-In Center  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-4654

## **The ICC On Line**

Agendas for Commission meetings, selected Commission orders, annual reports, and other information are available on line from the Commission's Web Site:

[www.icc.state.il.us](http://www.icc.state.il.us)

### **ICC's Electronic Docketing System**

<http://eweb.icc.state.il.us/e-docket>

### **Plug In Illinois—Choosing an Electric Supplier**

[www.icc.state.il.us/icc/Consumer/Plugin](http://www.icc.state.il.us/icc/Consumer/Plugin)

## Contacting the ICC

### **Springfield and Chicago Offices**

Illinois Commerce Commission  
527 E. Capitol Avenue  
Springfield, Illinois 62701

Illinois Commerce Commission  
160 N. LaSalle, Suite C-BOO  
Chicago, Illinois 60601

For any Public Utility service issue, for assistance, or information, or to file an Informal Complaint, please contact the ICC's Consumer Services Division.

Toll-free: 800/524-0795 (In Illinois only)  
800/858-9277 (TTY)

#### **Chicago:**

Illinois Commerce Commission  
Consumer Services Division  
160 N. LaSalle Street  
Suite C-BOO  
Chicago, IL 60601

#### **Springfield:**

Illinois Commerce Commission  
Consumer Services Division  
527 E. Capitol Avenue  
Springfield, Illinois 62701

On matters pertaining to trucking, and household goods moving, which are under the Commission's jurisdiction, please contact the Transportation Division Walk-In Center in Springfield.

217/782-4654  
217/782-4915 (TTY)

For Railroad Safety issues, please contact:  
217/782-7660

For Relocation Towing issues please contact:  
Illinois Commerce Commission  
Des Plaines Compliance Office  
874/294-4326

January 31, 2003

The Honorable Rod Blagojevich  
Governor, State of Illinois  
State Capitol, Springfield, Illinois

Chairman and Members, Joint Committee on Legislative Support Service  
313 State Capitol, Springfield, Illinois

Dear Governor, Chairman and Members of the Joint Committee:

We are pleased to submit to you the Commission's 2002 Annual Report on Electricity, Gas, Water, and Sewer Utilities. This Report covers the period of January 1, 2002, through December 31, 2002.

The Annual Report is submitted in compliance with the Public Utilities Act and specifically addresses the items cited in Section 4-304 of that Act, which requires the Commission to report on the following subjects: a general review of agency activities; a discussion of the utility industry in Illinois; a discussion of energy planning; the availability of utility services to all persons; implementation of the Commission's statutory responsibilities; appeals from Commission orders; studies and investigations required by state statutes; impacts of federal activity on state utility service; and recommendations for proposed legislation.

Among other Commission reports provided to the Governor and General Assembly each year are the following:

- Annual Report on Telecommunications
- Annual Report on the Transportation Regulatory Fund
- Annual Report on the Use of the Grade Crossing Protection Fund

Additional information about the Commission and its activities is available from the Commission's web sites listed on the previous page.

Sincerely,

Kevin K. Wright, Chairman



# **ILLINOIS COMMERCE COMMISSION**

## **YEAR IN REVIEW**

### **2002**

#### **ENERGY ISSUES: Electricity**

##### **Electric Restructuring**

The electric market for residential customers opened May 1, 2002; however, as of the end of 2002, no alternative retail electric suppliers (ARES) had applied to provide service to that customer class. By the end of 2002, 13,000 non-residential customers elected to purchase power and energy from an Alternative Retail Electric Supplier or from an electric utility selling outside of its service area. Customer switching in the non-residential classes was concentrated in the Commonwealth Edison service area, however some switching occurred in the Illinois Power service area. More than 10,000 non-residential customers elected to take service under the Power Purchase Option, a service that is available only in the service areas of Commonwealth Edison, Illinois Power, AmerenUE and AmerenCIPS.

##### **Alternative Retail Electric Service**

One additional electric company was certified to do business as an alternative retail electric supplier in 2002, bringing the total number of alternative suppliers to 17. They include Constellation NewEnergy, Inc., Ameren Energy Marketing Company, Blackhawk Energy Services, CMS Marketing Services and Trading Company, Central Illinois Light Company, Dynegy Energy Services, Inc., EnerStar Power Corporation, Illinois Power Energy, Inc, MidAmerican Energy, Nicor Energy, LLC., Peoples Energy Services Corporation, Sempra Energy Solutions, Sempra Energy Trading Corp., South Beloit Water, Gas and Electric Company, Exelon Energy Company, Morton International, Inc. and WPS Energy Services, Inc. Company

names, addresses and contact personnel, with telephone numbers are maintained on the ICC web site to assist customers who may be considering switching to an alternative provider of electricity.

##### **Delivery Service Tariffs**

The Commission ordered an audit of portions of Commonwealth Edison Company's delivery service tariff rate filing. The audited portions of the filing consisted of ComEd's activities that followed significant energy outages in 1998 and 1999. Liberty Consulting Groups was contracted to perform the Commission-directed audit, which concluded that substantial adjustments to operating expenses and rate base were appropriate. The investigation will be continued into 2003.

##### **Consumer Education Program**

Educational information on the residential Customer Choice program was provided through the Commission's web site and through the distribution of customer information to more than 5.25 million residential customers, as well as advertising in association newsletters, magazines, business organizations and videos. The Consumer Education Program continued to target the non-residential customers who were eligible for choice.

##### **Neutral Fact Finder/ Alternative Market Value**

The Commission initiated a proceeding to determine if the neutral fact finder (NFF) process, which was discontinued for 2001-2002, should also be discontinued for 2003. In a related order the Commission also began the process of seeking an NFF for 2003, should one be needed. If one is to be hired, the selection must be made by April 30, 2003. In the fall of 2002, Commonwealth Edison, Illinois Power, and the Ameren companies filed proposed market value index tariffs, which the Commission suspended pending further review. A final order on those tariffs must be issued before April 15.

##### **Federal Energy Regulatory Commission**

In July, 2002 FERC issued a standard market design notice of proposed rulemaking. The

FERC's intention was to find a remedy for undue discrimination and establish a standardized transmission service and wholesale market design that would provide a level playing field for all entities seeking to participate in the wholesale electric markets. The ICC filed comments supporting prompt and full participation by transmission-owning utilities in properly designed and configured Regional Transmission Organizations and urged FERC to continue to move forward and not to hinder pro-competition progress in areas of the country such as the Midwest, which already has seen steady development of RTOs.

### **Plant Sales/Utility Mergers**

The merger of Central Illinois Light Company with Ameren was approved by the Commission in December. The new company will be known as AmerenCILCO.

Illinois Power Company announced plans to transfer certain transmission and distribution assets to Illinois Electric Transmission Company. The request will also be heard at the FERC.

### **ENERGY ISSUES: Gas**

#### **Natural Gas Choice Program**

The Commission approved NiCor Gas Company's request to discontinue its Performance Based Rate program. The company voluntarily withdrew the program after the Commission began a review of the program and associated gas purchases. The investigation continued throughout 2002.

#### **Gas Price Increases**

Central Illinois Light Company filed a petition seeking an increase in gas rates. The case was docketed and set for hearing.

The Commission examined gas-purchasing practices of NiCor Gas, Peoples Gas and North Shore Gas. These investigations will be continued in 2003.

AmerenCIPS and AmerenUE filed gas rate increase proposals in November, which were suspended pending further investigation.

### **WATER**

The City of Pekin, a municipal corporation, filed a petition for approval to condemn a certain portion of the waterworks system of Illinois American Water Company. Hearings on the petition will begin in 2003.

The Illinois-American Water Company and Thames Water Aqua Holdings merger was approved in 2002. Illinois American Water Works, the parent company of Illinois American Water Company became a subsidiary of Thames Water, headquartered in London, England.

Illinois American Water Company filed a petition (Docket # 02-0690) seeking higher rates in each of its water districts. The Commission suspended the rate proposal in October, 2002, pending further investigation.

The Commission continued citation proceedings against five small water utilities, owned by one individual, for poor water service. The company failed to make necessary improvements as required by a previous order and additional citations were issued.

### **COMMISSION ACTIVITIES**

The Commission approved a reorganization of its agency structure to streamline operations, to accommodate a large number of retirements resulting from the state Early Retirement Incentive program in 2002 and in response to serious budget constraints for the current and future fiscal years. The Commission structure will reflect six divisions: External Affairs, Transportation, General Counsel, Public Utilities, Administrative Law Judges and Bureau of Planning and Operations, which includes the office of the clerk, information technology, administrative services and project management. External Affairs will encompass public affairs, legislative and consumer affairs programs. Public Utilities includes energy, telecommunications, financial analysis and public safety and enforcement programs. Transportation incorporates the railroad safety, review and examination, processing, police and research and analysis sections as well as counsel for the department. Forty-five

employees took the early retirement option by December 31.

The Plug In Illinois Web Site information on residential electric choice was made available in both English and Spanish versions in 2002.

The Automated Call Distributor System, utilized by the Consumer Services Call Center, expanded the number of ports, therefore doubling the number of calls the system can handle at one time.

In July, 2002, the ICC assumed responsibility for managing the enforcement process associated

with violations of the Illinois Underground Utility Facilities Damage Prevention Act. The Joint Utility Locating Information for Excavators System (JULIE) enforcement database was developed to facilitate the enforcement process.

The Commission upgraded its e-Docket system to provide compatibility with our new server operating system and enterprise database. Enhancements were added to the Browse Docket capabilities, which allowed users to better locate and access documents online.





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## **INTRODUCTION**

The following report for calendar year 2002 was prepared to meet the requirements of the Public Utilities Act (PA-84-617). Section 4-304 of this Act instructs the Illinois Commerce Commission to prepare an annual report and provide copies to the Joint Committee on Legislative Support Services of the General Assembly, the Public Counsel, and the Governor.

Nine specific sections on which the Commission is asked to report are cited in the Act. The report is therefore divided into nine main parts, as follows:

- A general review of agency activities;
- A discussion of the utility industry in Illinois;
- A discussion of energy planning;
- The availability of utility services to all persons;
- Implementation of the Commission's statutory responsibilities;
- Appeals from Commission orders;
- Studies and investigations required by state statutes;
- Impacts of federal activity on state utility service; and
- Recommendations for proposed legislation.

For the convenience of the reader, each part is given the same number designation as the corresponding subsection of the Public Utilities Act that it addresses.

Other information about the Commission and its activities is available from the Commission's web site, [www.icc.state.il.us](http://www.icc.state.il.us).

During 2002, the following persons (listed alphabetically) served as members of the Illinois Commerce Commission.

Terry S. Harvill

Edward C. Hurley

Ruth K. Kretschmer

Richard L. Mathias

Mary Frances Squires

Kevin K. Wright



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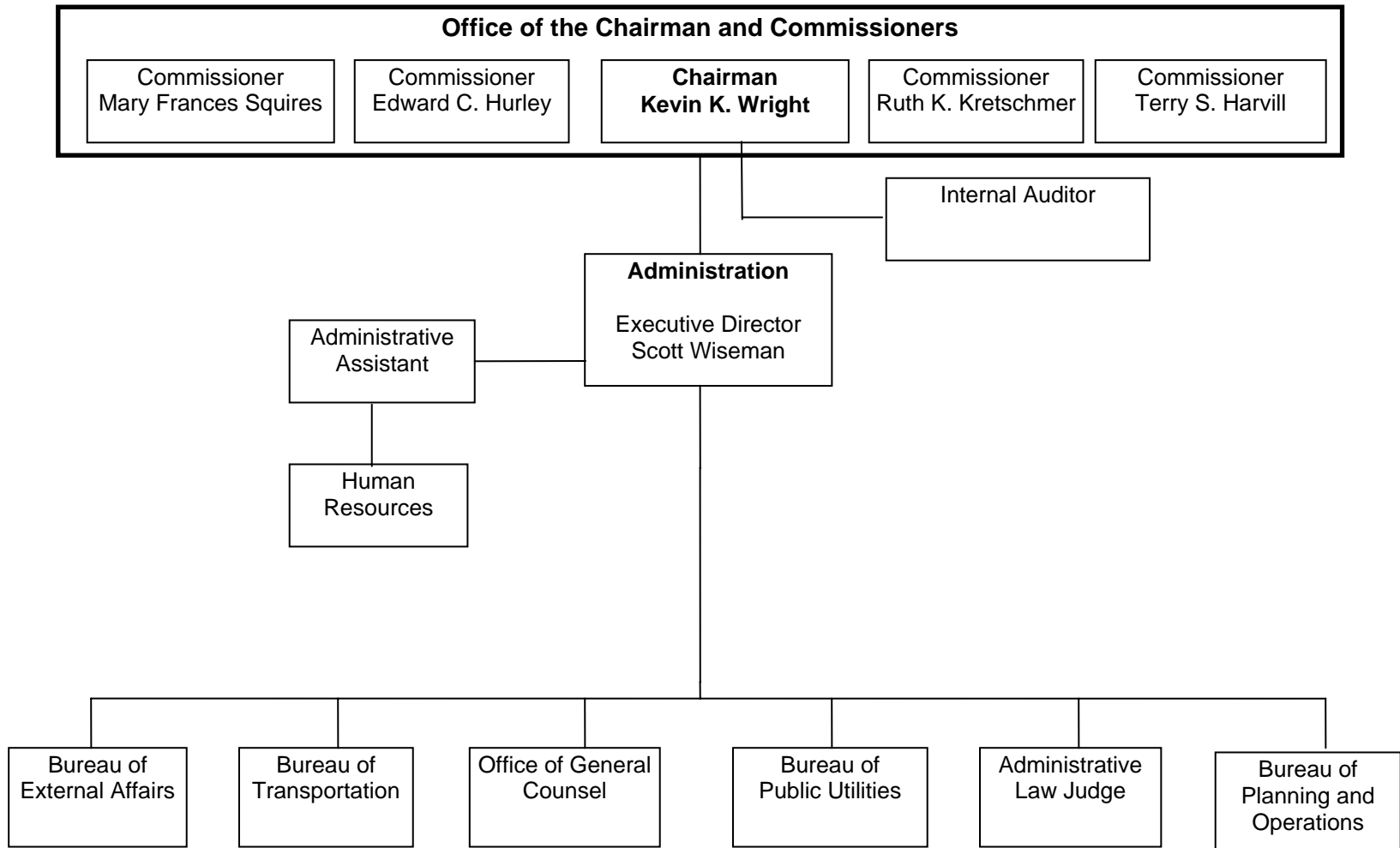
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## **ILLINOIS COMMERCE COMMISSION**

### **STATEMENT OF MISSION**

The Illinois Commerce Commission, in a period of emerging reliance on the marketplace to ensure fairly-priced, reliable, and adequate utility services, will protect consumer interests and manage the transition of network industries from regulation to efficient competition through the use of innovative regulatory practices. Through its actions, the ICC shall generally promote effective competition in utility and transportation industries, enhanced consumer choice, efficient and effective dispute resolution, and the sharing of impartial and comprehensive information within its jurisdiction as provided by law.

# ILLINOIS COMMERCE COMMISSION ORGANIZATION CHART



# **SECTION 1**

## **General Review of Agency Activities**





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***(1) A general review of agency activities and changes, including:***

***(a) a review of significant decisions and other regulatory actions for the preceding year, and pending cases, and an analysis of the impact of such decisions and actions, and potential impact of any significant pending cases;***

***(b) for each significant decision, regulatory action and pending case, a description of positions advocated by major parties, including Commission staff, and for each such decision rendered or action taken, the position adopted by the Commission and reason therefor;***

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## **REVIEW OF SIGNIFICANT COMMISSION DECISIONS**

Appendix A of this report contains summaries of significant Commission decisions made and other regulatory actions taken in 2002. These summaries are by no means exhaustive, but they do provide a representative sampling of Commission actions. If the reader would like to know more about any of the cases discussed in this report, both the Commission's order and the record for decision are available for examination in the Commission's Springfield office. In any proceeding in which the Commission has entered an order on the merits, the best summary of positions advocated and reasons for the Commission's adoption of a position is contained in the order itself.

Copies of these documents are available free of charge to public officers; others may obtain copies upon payment of the fee established in Section 2-201 of The Public Utilities Act. Selected orders and other Commission documents may be found on the Commission's web page ([www.icc.state.il.us](http://www.icc.state.il.us)) or in the Commission's electronic docketing system (<http://eweb.icc.state.il.us/e-docket>).

## **PENDING CASES**

As noted above, Section 4-304 of the Public Utilities Act also requires a review of pending cases, including an analysis of the potential impact and a description of positions advocated by staff and major parties. The Commission feels that it is precluded from entering into discussions of pending issues or characterizing positions advocated by staff and parties in pending cases. The dangers of acting otherwise include the possibility of violating restrictions on ex parte communications (see Section 10-103 of the Public Utilities Act and 83 Ill. Adm. Code 200.710) and the possibility of later being held to have prejudged issues pending before the Commission as of the date of this report. The Commission's record in pending cases is available for examination through the Chief Clerk's Springfield office.

## **SIGNIFICANT REGULATORY ACTIONS**

Significant actions taken by the Commission during 2002 are described in the summary statement, "The Year in Review," immediately preceding this section.

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***(1-c) a description of the Commission's budget, caseload, and staff levels, including specifically:***

***(i) a breakdown of type of case by the cases resolved and filed during the year and of pending cases;***

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## **CASES FILED DURING 2002**

Table 1-1, Utility Cases Monthly Report, on the following page shows the cases and filings for each month for the years 2001 and 2002. This table also shows the totals by type for the year.

### **e-DOCKET: ICC's ELECTRONIC DOCKET FILING SYSTEM**

To aid both the Commission staff and the public at large, the Illinois Commerce Commission has developed an electronic filing, reporting, and case management system called e-Docket that is accessible on the World Wide Web.

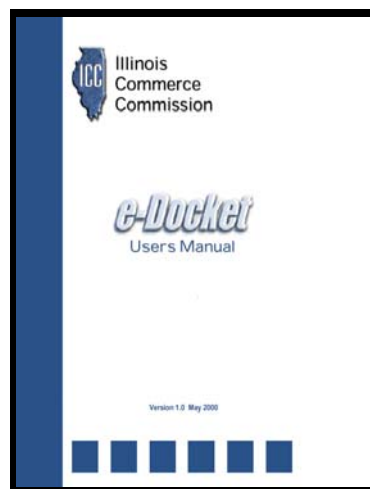
e-Docket is a Web-based, automated information and records-keeping system. It was developed to process and manage public information about the Commission's official cases and rulemaking proceedings. A person using e-Docket may conduct searches in two ways:

- **Search for cases:** permits searches by case types, service types, companies, and/or a date range as parameters.
- **Search for documents:** permits searches by document types, docket numbers, and/or a date range.

e-Docket has a variety of practical uses. Anyone interested in case proceedings conducted by the ICC may visit the e-Docket web site at <http://eweb.icc.state.il.us/e-docket> and view a wealth of information about active and closed cases initiated on or after January 1, 2000.

### **e-DOCKET USERS MANUAL PROVIDES INSTRUCTIONS FOR SEARCHING FOR DOCUMENTS**

A twenty-four-page e-Docket users manual is available on the e-Docket web site to assist viewers in finding information about cases. It is important to remember, however, that e-Docket was first used as a way to store electronic documents in January 2000. Documents created prior to January 1, 2000, were filed with the Commission in paper format only. These are available for viewing in the Commission's Chief Clerk's Office.



**Table 1-1  
Utility Cases Monthly Report**

Monthly Totals	Current Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Calendar Year to Date
<b>Filings:</b>														
New Cases	2001	113	88	99	51	70	55	47	52	53	48	108	59	843
	2002	106	73	58	54	109	45	52	65	90	50	98	70	870
Filings/Reports (SPI)	2001	659	608	710	674	376	427	482	460	368	496	552	550	6,362
	2002	821	663	611	747	492	658	606	537	526	624	545	637	7,467
Filings/Reports (CHI)	2001	1	-	1	-	-	-	-	-	-	-	-	-	2
	2002	-	-	-	-	-	-	1	-	-	-	-	-	1
Hearing & Comm. Action Notices	2001	172	186	265	220	157	136	208	189	132	164	210	116	2,155
	2002	197	139	172	139	190	152	184	198	186	148	170	169	2,044
Supplemental/ Reopen Petitions	2001	1	-	2	1	-	-	2	1	-	-	1	-	8
	2002	-	-	-	-	1	-	-	-	-	1	1	-	3
Petitions for Rehearing	2001	2	3	2	3	10	5	4	5	1	5	1	6	48
	2002	2	4	-	8	3	1	4	5	1	4	3	3	41
Cases Closed (Orders/Commission Actions)	2001	81	64	70	142	56	73	76	42	86	62	34	63	849
	2002	93	76	94	67	72	53	95	30	70	31	49	62	792
Tariff Filings	2001	157	140	173	139	205	178	185	168	220	161	151	211	2,088
	2002	168	177	168	160	229	187	196	344	204	194	159	215	2,401

**(ii) a description of the allocation of the Commission's budget, identifying amounts budgeted for each significant regulatory division, or office of the Commission and its employees.**

**(iii) a description of current employee levels, identifying any change occurring during the year in the number of employees, personnel policies, and practices or compensation levels; and identifying the number and type of employees assigned to each Commission regulatory function and to each department, bureau, section, division, or office of the Commission.**

The following table on shows the Commission's budget and authorized headcount by divisions and funding source.

**TABLE 1-3  
Budget and Headcount by Division  
As of July 1, 2002**

Division	Public Utility Fund		Transportation Regulatory Fund		General Revenue Fund		Totals	
	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$
Chairman & Commissioners	14	1,217,900	1	120,300	0		15	1,338,200
Public Utilities	243	24,133,800			0	1,374,700	243	25,508,500
Digital Divide Infrastructure Fund	0	5,000,000					0	5,000,000
Transportation			90	19,315,500			90	19,315,500
Totals	247	25,714,600	91	20,433,900	0	1,667,200	338	47,815,700

Headcount is shown at the authorized level.  
Budget \$ shown represent the FY03 appropriation.

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***(1-d) a description of any significant changes in Commission policies, programs or practices with respect to agency organization and administration, hearings and procedures or substantive regulatory activity.***

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## **AGENCY ORGANIZATION AND ADMINISTRATION**

In December of 2002, the Commission was reorganized into six bureaus under the office of the Executive Director. These included the Bureau of External Affairs, the Bureau of Transportation, the Office of General Counsel, the Bureau of Public Utilities, Administrative Law Judges, and the Bureau of Planning and Operations.

The Bureau of External Affairs includes Consumer Affairs, Public Affairs and Legislative Affairs.

The Bureau of Public Utilities includes Energy, Telecom, Financial Analysis, and a new division, Public Safety and Enforcement. This new division includes the 911 program, JULIE program, Pipeline Safety and a new Industry Compliance program.

The Bureau of Planning and Operations brings together four administrative functions including records management (Chief Clerk's Office), information technology, administrative services and project management.

The Office of Administrative Law Judges, Transportation and the Office of General Counsel will largely maintain their current structure. The exception is the Clerk's Office, with its record keeping functions, which will become part of the Bureau of Planning and Operations.

The reorganization was motivated by the State of Illinois' early retirement incentive program, the need to conserve resources in tight budget times, and the increasing demands on ICC staff to respond efficiently and effectively to changes in a rapidly changing regulatory environment.



# **SECTION 2**

## **A Discussion of the Utility Industry in Illinois**





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***2. A discussion and analysis of the state of each utility industry regulated by the Commission and significant changes, trends and developments therein, including the number of types of firms offering each utility service, existing, new and prospective technologies, variations in the quality, availability and price for utility services in different geographic areas of the State, and any other industry factors or circumstances which may affect the public interest or the regulation of such industries.***

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## **SIGNIFICANT CHANGES AND TRENDS IN THE UTILITY INDUSTRY**

For a discussion of changes and trends in the natural gas and electric power industry, see Section 8 of this report.

### **DISCUSSION OF THE QUALITY, AVAILABILITY, AND PRICE OF UTILITY SERVICES BY GEOGRAPHIC AREA**

#### **ELECTRICITY**

Electric service to retail customers is provided in the State of Illinois by the following nine investor-owned public utilities.

AmerenCIPS  
AmerenUE  
Central Illinois Light Company  
Commonwealth Edison Company  
Illinois Power Company  
Interstate Power Company  
MidAmerican Energy Company  
Mt. Carmel Public Utility Company  
South Beloit Water, Gas and Electric Company

Electric service is also provided in Illinois through municipal systems and electric cooperatives, neither of which are regulated by the Commission. Data as to the quality, availability, and price of electric service are not reported to the Commission by these providers and will not be a subject of this report.

#### **Northern Illinois**

Electricity is sold in northern Illinois by four electric utilities: Interstate Power, Commonwealth Edison Company, MidAmerican Energy Company, and South Beloit Water, Gas and Electric Company. Commonwealth Edison Company is by far the largest investor-owned electric utility in Illinois, serving 3,566,618 customers in 396 communities. Included in its service territory is the Chicago metropolitan area. MidAmerican Energy Company provides service to 83,294 customers in 42 communities in northwestern Illinois. Interstate Power Company has 11,186 customers in 13 communities that are also in northwestern Illinois. South Beloit Water, Gas and Electric Company provides electrical service to 8,086 customers in 8 communities adjacent to the Wisconsin border.

Northern Illinois' electric generation capacity for the summer of 2002 was adequate. All of area's available nuclear capacity was operating. There was also an additional 3,300 MW of generation capacity available during 2002 from combustion turbine "peaking" units operated by unregulated power producers. This

additional generation, plus the availability of base-load generation, resulted in an ample supply of generating capacity.

The price of electricity sold by these four utilities varied between utilities and within utilities depending upon the class of customer served. Table 2-1 shows detailed price per Kwh information for all electric utilities under ICC jurisdiction.

The average price per Kwh for 1995-2001 for the four utilities is as follows:

	1995	1996	1997	1998	1999	2000*	2001*
Interstate Power	5.02¢	4.75¢	4.69¢	4.87¢	4.58¢	4.60¢	5.20¢
Commonwealth Edison	7.49	7.53	7.38	7.26	6.47	7.54	7.60
MidAmerican	6.60	5.47	4.92	5.03	5.04	6.20	5.97
South Beloit	4.58	4.30	4.44	4.74	4.88	5.40	6.04

\* Price per Kwh for bundled service class customers.

### Central Illinois

Electric service is provided to central Illinois by three investor-owned electric utilities: AmerenCIPS, Central Illinois Light Company (CILCO), and Illinois Power Company (IP). AmerenCIPS and IP also provide service to southern Illinois. CILCO serves 203,282 customers in central Illinois in the Peoria area and 108 other communities. Ameren CIPS provides service to 561 communities across central and southern Illinois with a total customer population of 322,680. IP serves 575,394 customers in 421 Illinois communities in central and southern Illinois.

Central and southern Illinois' electric generating capacity was adequate for the 2002 summer peak. During 2002, 336 MW of additional merchant plant generating capacity came on line in central Illinois.

The average price per Kwh for 1995-2001 for the three utilities is as follows:

	1995	1996	1997	1998	1999	2000*	2001*
Ameren CIPS	4.97¢	4.93¢	5.09¢	5.19¢	5.14¢	6.20¢	6.15¢
CILCO	5.47	5.15	5.24	5.39	5.66	6.07	6.13
Illinois Power	6.15	5.76	5.63	5.13	6.30	6.43	6.87

\* Price per Kwh for bundled service class customers.

### Southern Illinois

Ameren CIPS and IP serve much of southern Illinois. Service areas for these companies were discussed in the previous section concerning central Illinois. Customer and price statistics given above include southern Illinois and will not be repeated in this section. Two other utilities will be discussed, as they operate only in southern Illinois.

Missouri-based AmerenUE provides electric service to 63,337 customers in 17 communities in southwestern Illinois. Mt. Carmel Public Utility Company serves 5,604 customers in 2 communities in southeastern Illinois.

As with the other parts of Illinois during the summer of 2002, there was an ample supply of electricity in Southern Illinois. During 2002, 60 MW of unregulated power production capacity was added in Southern Illinois.

The average price per Kwh for 1995-2001 for the two utilities is as follows:

	1995	1996	1997	1998	1999	2000*	2001*
Ameren UE	4.29¢	4.21¢	3.90¢	4.05¢	3.98¢	4.02¢	4.07¢
Mt. Carmel	5.62	5.98	6.22	6.81	6.81	6.75	6.68

\* Price per Kwh for bundled service class customers.

**TABLE 2-1  
ILLINOIS ELECTRIC UTILITIES**

**REVENUE PER KWH BY CLASS OF SERVICE BY COMPANY  
(CENTS)  
2001**

<u>CLASS OF SERVICE</u>	<u>CILCO</u>	<u>AMEREN CIPS</u>	<u>COM ED</u>	<u>ILL POWER</u>	<u>INTER- ST PWR</u>	<u>MID AMER</u>	<u>MT. CARMEL</u>	<u>SOUTH BELOIT</u>	<u>AMEREN UE</u>
RESIDENTIAL SALES	7.70	7.39	9.13	8.29	6.82	8.10	8.48	7.39	6.57
LARGE (INDUSTRIAL)	4.12	4.08	5.07	4.63	4.07	3.94	5.15	4.85	2.93
SMALL (COMMERCIAL)	7.18	6.54	7.77	7.87	6.81	6.20	9.01	6.38	5.03
PUBLIC STREET & HIGHWAY LIGHTING	5.68	7.10	6.36	7.10	15.43	7.62	0.00	10.67	9.03
OTHER SALES TO PUB- LIC AUTHORITIES	0.00	5.64	5.35	6.68	4.59	5.06	6.10	0.00	0.00
SALES TO RAILROADS AND RAILWAYS	0.00	0.00	5.86	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL SALES TO UL- TIMATE CUSTOMERS	6.13	6.15	7.60	6.87	5.20	5.97	6.68	6.04	4.07
SALES FOR RESALE	2.54	4.06	5.75	31.77	3.98	2.86	3.41	2.35	4.49
INTERDEPARTMENTAL SALES	6.88	3.99	0.00	0.00	0.00	3.49	0.00	5.13	0.00
TOTAL SALES OF ELECTRICITY	5.75	5.26	6.78	5.72	5.11	4.81	6.60	5.93	4.07



## NATURAL GAS

Natural gas service is currently provided in the State of Illinois by the 14 investor-owned gas public utilities listed below:

AmerenCIPS  
AmerenUE  
Central Illinois Light Company  
Consumers Gas Company  
Illinois Gas Company  
Illinois Power Company  
Interstate Power Company  
MidAmerican Energy Company  
Mt. Carmel Public Utility Company  
Nicor Gas  
North Shore Gas Company  
Peoples Gas Light and Coke Company  
South Beloit Water, Gas and Electric Company  
United Cities Gas Company

Additional gas service is provided in Illinois by municipal gas systems not subject to regulation by the ICC. For this reason, data concerning quality, availability, and price for these systems are not available to the ICC and therefore are not considered in this document.

During 2002, natural gas service was available without major interruption to all firm customers served by these 14 Illinois utilities. A considerable number of commercial and industrial customers chose to purchase gas directly from wholesale suppliers and use the local gas utility as a transporter. Residential customers served by Nicor Gas and a limited number of residential customers served by Peoples Gas and North Shore are also allowed to purchase gas directly from wholesale suppliers. During 2002, sufficient supplies of natural gas are expected to be available to all customers.

### Northern Illinois

Gas distribution and sale of natural gas is provided in northern Illinois by six public utilities as follows: Interstate Power Company, MidAmerican Energy Company, Nicor Gas, North Shore Gas Company, Peoples Gas Light and Coke Company, and South Beloit Water, Gas and Electric Company.

Nicor Gas is the largest gas distribution company in the state providing service to 1,859,135 customers in 641 communities in northern Illinois. Peoples Gas Light and Coke Company, which serves the City of Chicago, is the second largest utility in Illinois with 826,223 customers. North Shore Gas Company serves 148,334 gas customers in 56 communities north of the Chicago area. Of the remaining three companies serving northern Illinois, MidAmerican Energy Company is the largest with 65,173 customers in 27 communities. South Beloit Water, Gas and Electric Company serves 6,657 customers in 9 communities. Finally, Interstate Power Company serves 5,413 customers in 11 communities.

As with the price of electricity, the price of gas varies among utilities and is generally determined by the suppliers of natural gas that serve the local distribution company. Table 2-2 on page 14 shows price per therm for 1996-2001 is as follows:

	1996	1997	1998	1999	2000	2001
Interstate	49.99¢	56.05¢	55.70¢	50.18¢	65.52¢	82.54¢
MidAmerican	50.90	56.05	48.75	52.41	57.93	57.94
Nicor Gas	41.84	48.11	42.27	43.02	61.73	73.69
North Shore Gas	56.97	60.32	56.43	56.18	73.67	94.34
Peoples Gas	60.66	66.02	64.09	64.21	82.10	105.50
South Beloit	44.44	58.63	66.86	54.29	58.08	78.83

## Central Illinois

Gas distribution and sale of natural gas is provided in central Illinois by three large distribution companies: AmerenCIPS, Central Illinois Light Company (CILCO), and Illinois Power Company (IP). CILCO provides gas service to 208,469 customers in 128 communities, the two largest being the Peoria and Springfield metropolitan areas. AmerenCIPS serves mostly rural areas in central and southern Illinois, providing service to 294 communities with a total customer population of 169,568. Illinois Power provides gas service to 401,377 customers in 302 communities in various parts of the state, ranging from Galesburg in west-central Illinois to areas in southwestern Illinois and including the East St. Louis metropolitan area.

The average price per therm for the three utilities for 1996-2001 is as follows:

	1996	1997	1998	1999	2000	2001
AmerenCIPS	57.16¢	51.29¢	52.29¢	63.63¢	78.53¢	88.13¢
CILCO	53.08	55.07	50.85	50.01	67.18	81.98
Illinois Power	47.37	61.18	52.49	53.33	67.50	87.54

## Southern Illinois

Gas distribution and sale of natural gas is provided in southern Illinois by two large distribution companies; AmerenCIPS and Illinois Power discussed earlier, and the following five smaller distribution companies: AmerenUE, Consumers Gas Company, Illinois Gas Company, Mt. Carmel Public Utility Company, and United Cities Gas Company.

United Cities provides service to 25,083 customers in 32 communities in a number of distinct service areas in southern Illinois. AmerenUE serves 18,177 customers in 5 communities in the Alton metropolitan area in southwestern Illinois. Illinois Gas serves 10,254 customers in 15 communities in the Lawrenceville-Olney area. Consumers Gas serves 5,910 customers in 16 communities in the Carmi area. Finally, Mt. Carmel serves 3,684 customers in 8 communities in the Mt. Carmel area.

The average price per therm for the six utilities for 1996-2001 is as follows:

	1996	1997	1998	1999	2000	2001
AmerenUE	48.01¢	58.38¢	48.47¢	64.53¢	79.94¢	95.79
Consumers Gas	54.59	54.07	51.30	44.29	72.38	88.49
Illinois Gas	52.68	57.22	52.27	53.47	77.38	90.57
Mt. Carmel	44.14	52.93	54.26	56.01	69.17	88.93
United Cities	57.67	65.86	61.24	56.36	73.30	98.49

**TABLE 2-2**

**ILLINOIS GAS UTILITIES**

**REVENUE PER THERM BY CLASS OF SERVICE BY COMPANY**

**2001**

**(CENTS)**

CLASS OF <u>SERVICE</u>	<u>CILCO</u>	AMEREN <u>CIPS</u>	CONS <u>GAS</u>	ILL <u>GAS</u>	IL <u>PWR</u>	INTER <u>ST PWR</u>	MID <u>AMER</u>	MT <u>CARMEL</u>	NORTH <u>SHORE</u>	Nicor <u>GAS</u>	PEOPLES <u>GAS</u>	SOUTH <u>BELOIT</u>	AMEREN <u>UE</u>	UNTD <u>CITIES</u>
RESIDENTIAL SALES	96.48	94.20	91.18	100.11	94.56	84.64	73.88	93.23	94.68	73.75	107.11	79.79	102.08	102.73
SMALL (OR COMM.)	83.70	88.02	94.12	97.54	82.90	77.44	69.11	86.40	92.36	67.46	98.28	77.70	92.90	89.50
LARGE (OR IND.)	51.27	58.68	71.26	71.33	64.84	84.23	67.06	71.03	86.42	74.05	86.97	75.18	70.82	70.99
OTHER SALES TO PUBLIC AUTHORITIES	0.00	0.00	78.32	0.00	0.00	0.00	0.00	85.78	0.00	0.00	0.00	0.00	0.00	84.96
TOTAL GAS SALES TO ULTIMATE CUSTOMERS	86.16	88.13	89.20	90.57	87.54	82.54	72.37	88.93	94.37	73.69	105.50	78.82	95.79	98.49
INTERDEPARTMENTAL	53.49	70.77	0.00	0.00	0.00	67.59	13.94	0.00	0.00	0.00	0.00	154.42	0.00	0.00
SALES FOR RESALE	11.92	0.00	81.79	0.00	0.00	0.00	40.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL GAS SALES	81.98	88.13	88.49	90.57	87.54	82.54	57.94	88.93	94.34	73.69	105.50	78.83	95.79	98.49



## **WATER & SEWER UTILITIES**

The Commission currently regulates 32 water, 5 sewer, and 14 combined water and sewer investor-owned utilities. While the number of investor-owned utilities is a small percentage of the 1,900 public water suppliers and 750 public sanitary sewage systems with treatment facilities in the state, these investor-owned utilities provide water service to approximately 1.2 million people and sewer service to 178,000 people. The investor-owned utilities serve customers in 38 counties concentrated in the Chicago metropolitan area with the number of customers served ranging from 22 to 300,000. Only eight utilities serve more than 1,000 customers. Table 2-3 on page 18 gives a comparison of bills for these eight utilities providing service to 1,000 customers or more.

There are still considerably fewer investor-owned water an/or sewer utilities than in the past. The reduced number of investor-owned water and sewer utilities is partly the result of the overall Commission effort to reduce the number of small utilities. Small utilities, due to their limited number of customers, typically have difficulties generating sufficient revenues to maintain the system and to hire employees with the necessary expertise to function as an investor-owned utility.

The Commission has found that, in most cases, customers receive better service at lower rates from larger utilities due to the economies of scale that are realized. The Commission has promoted acquisition or mergers of small systems by larger municipal and investor-owned utilities to take advantage of these economies of scale. When acquisitions and mergers are not practical, the possibility of the small systems being operated as a mutual by a homeowners association is investigated. Mutual operations, which are exempt from Commission jurisdiction, often result in lower costs to customers for small systems. There were no acquisitions of a small system by larger municipal and investor-owned utilities in 2002.

The Commission still has on-going citation proceedings for five small water utilities (owned by one individual serving a total of 2,220 customers) that were originally cited by the Commission for poor water service in 1997 with a final Order in 1999. Since the Company failed to make the specified improvements required by the 1999 Order, the Commission in 2001 commenced additional citation proceedings. These additional citation proceedings had hearings at the end of 2002 and will be schedule for additional hearings in the earlier part of 2003. Customer service has remained uninterrupted.

On November 20, 2002, the Commission approved the petition for a reorganization filed by Illinois-American Water Company (IAWC) whose parent company, American Water Works, will now be an operating subsidiary of Thames Water, headquartered in London, England, which in turn is already an operating subsidiary of RWE Aktiengesellschaft, headquartered in Essen Germany. RWE is the third largest water/wastewater services company in the world. In addition, on January 15, 2002, the closing of the reorganization occurred between IAWC's and Citizens Utilities Company of Illinois. IAWC's petition for this reorganization was approved by the Commission last year.

Most of the larger investor-owned water utilities serve municipalities adjacent to the state's major rivers, and the utilities use those rivers as their source of water supply. River supplies are generally adequate and the water, when treated, meets the criteria established by the Illinois Environmental Protection Agency (IEPA) except for nitrate levels in some rivers which exceed the standards during periods of heavy water run-off from agricultural lands.

IAWC continues to actively participate in the Vermillion Watershed Task Force, the group formed to concentrate on the effective management of the river as a resource. The application of nitrogen-based fertilizers in agriculture and its impact on the provision of potable water continues to be the focus. With exceptionally high levels of Nitrates in the Vermillion River in 2001, IAWC – Streator District installed an innovative, temporary Reverse Osmosis Water Treatment system in July 2001 to reduce Nitrates to an acceptable level below the Maximum Contaminant Level ("MCL"). Long-term solutions are under study, including the installation of automated blending equipment designed to maximize the conservation of low-nitrate reservoir water used for blending with water pumped directly from the river.

Consumers Illinois Water Company, Vermillion Division, has periodically experienced levels of nitrate in the raw water in excess of the maximum allowed by the United States Environmental Protection Agency (USEPA) and operates an ion exchange treatment system to reduce the nitrate level below the MCL.

There are several other upcoming regulations by the USEPA that could potentially impact the costs of well supplies in Illinois. The principle examples are arsenic, radionuclides and radon. Arsenic is a good example of the more strenuous standards being considered. Currently, the MCL is 50 parts per billion (ppb). On February 22, 2002 the arsenic in drinking water rule became effective; the date by which systems must comply with the new 10 ppb standard is January 23, 2006. The change in the Arsenic rules may force one investor-owned water utility to either install costly treatment equipment or to find another source of supply, which in most instances would be substantially more expensive.

Water supplies for Commission investor-owned water utilities were generally adequate in 2002. Most smaller systems serve unincorporated residential developments, often a single subdivision, and are typically located in the northern half of the state. Wells serve as the source of supply for most small systems. Well water quality varies considerably and can contain undesirable minerals such as iron, manganese and calcium that, while not injurious to health, do cause aesthetic problems. Aesthetic problems have caused several utilities located in the Chicago metropolitan area to obtain Lake Michigan water.

Of the 19 investor-owned utilities that provide sewer systems, only two systems provides service to more than 5,000 customers. The other sewer systems are small, although one does provide service to a major manufacturing plant. Some of the systems have difficulty meeting the stream discharge standards established by the IEPA. Due to the prohibitive cost of constructing new sewage treatment plants for a limited number of customers, the smallest systems have, where possible, sought treatment from nearby regional plants. All sewer utilities located within the boundaries of the Metropolitan Water Reclamation District of Greater Chicago (MWRD) discharge their waste to the MWRD for treatment. The investor-owned sewer systems provide service primarily to residential customers and serve a very limited number of commercial and industrial customers.

Bills for sewer service are typically flat rate charges since metering of sewage flow is uneconomical and impractical for residential customers. The rates vary considerably and depend on many factors, including the age of the treatment plant and treatment criteria for the receiving stream. In some instances, the rates do not reflect the cost of treatment, which is ultimately recovered through taxation by a municipal corporation (such as the MWRD). Other utilities have recently completed new treatment plants, and rates in the range of \$40 to \$73 per month reflect the substantial investment in such facilities. Overall, rates for single-family homes average \$25-30 per month.

On May 10, 2002, the City of Pekin, a municipal corporation, filed a petition for approval to condemn a certain portion of the waterworks system of IAWC pursuant to 735 ILCS 5/7-102. Hearings should be scheduled sometime in the later part of 2003.

## **FINANCIAL HEALTH OF THE UTILITY INDUSTRY IN ILLINOIS**

Bond ratings are the single most comprehensive and widely accepted measure of the financial condition of a business enterprise. Several independent financial research firms provide rating services, which categorize corporate debt issues on the basis of risk. Virtually all of the major electric and natural gas utilities serving Illinois have ratings assigned to their bond issues.

There is no formula for determining bond ratings. In assigning ratings to a firm's debt, rating agencies give consideration to both qualitative and quantitative factors. For a public utility, the financial aspects reviewed by rating agencies can be separated into six criteria: debt leverage, construction and asset concentration risks, earnings protection, financial flexibility and capital attraction, cash flow adequacy, and accounting quality. Non-financial rating criteria include service territory characteristics, fuel supply and generating capacity, operating efficiency, regulatory treatment, and management.

The following table shows the nationwide electric utility industry average bond rating, as well as the ratings for the seven major electric utilities serving the State of Illinois. Interstate Power and Light, AmerenUE, and MidAmerican Energy have the majority of their operations in other states.

**Electric Utility Bond Ratings by Standard and Poor's  
1997 to Present**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Electric Utility Industry Average	A-	A-	A-	A-	BBB+	BBB+
AmerenCIPS	AA-	AA-	AA-	A+	A+	A+
AmerenUE	AA-	AA-	AA-	A+	A+	A+
Central Illinois Light	AA-	AA-	BBB-	BBB-	BBB-	BBB-
Commonwealth Edison	BBB	BBB	BBB+	A-	A-	A-
Illinois Power	BBB	BBB	BBB	BBB+	BBB+	B
Interstate Power and Light	A+	A+	A+	A+	A-	BBB+
MidAmerican Energy	A+	A+	A	A	A	A

Like the electric utilities, natural gas distribution companies receive ratings on their debt, which reflect the individual company's financial condition. The table below presents credit ratings for the three major natural gas distribution utilities serving the State of Illinois and the average credit rating for the nationwide natural gas distribution industry.

**Gas Utility Bond Ratings by Standard and Poor's  
1997 to Present**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Gas Distribution Industry Average	A	A	A	A	A	A-
Nicor Gas	AA	AA	AA	AA	AA	AA
North Shore Gas	AA-	AA-	AA-	AA-	AA-	A-
Peoples Gas Light and Coke	AA-	AA-	AA-	AA-	AA-	A-

Currently, none of the water utilities serving the State of Illinois have ratings assigned to their debt.

**Table 2 - 3**  
**ILLINOIS PUBLIC WATER UTILITIES WITH 1,000 OR MORE CUSTOMERS**  
**BILL COMPARISON - RESIDENTIAL CUSTOMERS WITH 5/8" METERS**

AREA OF STATE	UTILITIES	TOTAL NUMBER OF CUSTOMERS	BILL COMPARISON BASED ON WATER USAGE				
			4,000 GALLONS	6,000 GALLONS	8,000 GALLONS	10,000 GALLONS	15,000 GALLONS
NORTHERN	<b>Apple Canyon</b>	2,689	\$21.92	\$30.38	\$38.84	\$47.30	\$68.45
	<b>Consumers Illinois</b>						
	Candlewick	2,318	\$32.32	\$41.48	\$50.64	\$59.80	\$82.70
	Kankakee	21,758	\$22.24	\$26.91	\$31.58	\$36.24	\$47.91
	Oak Run	2,611	\$29.43	\$39.81	\$50.19	\$60.57	\$86.52
	University Park	1,742	\$18.49	\$21.77	\$25.04	\$28.31	\$36.49
	Willowbrook	884	\$20.77	\$28.33	\$35.89	\$43.45	\$62.35
	Woodhaven-Campsite	6,115	\$9.35	\$9.35	\$9.35	\$9.35	\$9.35
	Woodhaven-Metered	47	\$24.58	\$32.80	\$41.02	\$49.24	\$69.79
	<b>Galena Territory</b>	1,860	\$20.52	\$25.56	\$30.60	\$35.64	\$48.24
	<b>Illinois-American</b>						
	Lake Michigan Water	46,287					
	Alpine Heights	233	\$28.14	\$37.66	\$47.18	\$56.70	\$80.50
	Chicago Suburban	7,751	\$27.74	\$37.06	\$46.38	\$55.70	\$79.00
	DuPage County	6,396	\$32.34	\$43.96	\$55.58	\$67.20	\$96.25
	Fernway	2,305	\$26.94	\$35.86	\$44.78	\$53.70	\$76.00
	Moreland	175	\$23.74	\$31.06	\$38.38	\$45.70	\$64.00
	Sante Fe/SW & W Suburban	27,361	\$32.14	\$43.66	\$55.18	\$66.70	\$95.50
	Waycinden	2,066	\$28.58	\$38.32	\$48.06	\$57.80	\$82.15
	Streator	7,758	\$23.57	\$28.67	\$33.78	\$38.88	\$51.63
	Well Water	2,791					
	Moreland	175	\$13.66	\$15.94	\$18.22	\$20.50	\$26.20
	Sterling	6,503	\$22.19	\$26.54	\$30.89	\$35.23	\$46.10
	All Others	2,616	\$18.46	\$23.14	\$27.82	\$32.50	\$44.20
	<b>Lake Holiday</b>	2,085	\$17.28	\$23.42	\$29.56	\$35.70	\$51.05
	<b>Lake Wildwood</b>	1,788	\$24.82	\$32.06	\$39.30	\$46.54	\$64.64
	<b>South Beloit</b>	2,025	\$9.73	\$12.80	\$15.87	\$18.93	\$26.60
	<b>Whispering Hills</b>	2,210	\$17.54	\$23.74	\$29.94	\$36.14	\$51.64
CENTRAL	<b>Consumers Illinois</b>						
	Vermilion	17,182	\$30.67	\$38.33	\$45.98	\$53.64	\$72.78
	<b>Illinois-American</b>						
	Champaign	45,223	\$26.06	\$30.23	\$34.40	\$38.57	\$48.99
	Lincoln	5,880	\$21.39	\$27.84	\$34.29	\$40.75	\$56.88
	Pekin	13,604	\$20.19	\$23.84	\$27.48	\$31.13	\$40.24
	Peoria	49,359	\$25.80	\$31.64	\$37.47	\$43.30	\$57.88
	Pontiac	4,195	\$28.12	\$34.65	\$41.18	\$47.72	\$64.05
SOUTHERN	<b>Illinois-American</b>						
	Southern-Shiloh Inside Village	1,289	\$11.80	\$11.80	\$11.80	\$11.80	\$11.80
	Southern-Shiloh Outside Village	41	\$14.75	\$14.75	\$14.75	\$14.75	\$14.75
	Southern-Alton/Cairo/Interurban	85,793	\$25.47	\$31.31	\$37.14	\$42.97	\$57.55

# **SECTION 3**

## **A Discussion of Energy Planning**



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***(3) A Specific Discussion of the Energy Planning Responsibilities and Activities of the Commission and Energy Utilities Including:***

***(a) The extent to which conservation, cogeneration, renewable energy technologies and improvements in energy efficiency are being utilized by energy consumers, the extent to which additional potential exists for the economical utilization of such supplies, and a description of existing and proposed programs and policies designed to promote and encourage such utilization;***

***(b) A Description of each Energy Plan filed with the Commission pursuant to the Provisions of this Act and a copy or detailed summary of the most recent energy plans adopted by the Commission."***

***(c) A Discussion of the Powers by which the Commission is implementing the Planning Responsibilities of Article VIII, including the description of the staff and budget assigned to such function, the procedures by which Commission staff reviews and analyzes energy plans submitted by utilities, Department of Energy and Natural Resources, and any other person or party."***

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**ENERGY PROGRAMS DIVISION  
INTEGRATED RESOURCE PLANNING**

**Integrated Resource Planning Program**

Section 8-402 of the Public Utilities Act, which set forth the Commission's resource planning responsibilities, was repealed by P.A. 90-561, effective December 16, 1997. The Commission disbanded the Energy Programs Division immediately thereafter.

**COGENERATION**

**Commission Rule**

The rules for the transfer of electric power between independent generating facilities and regulated electric utilities in Illinois are established by 83 Ill. Adm. Code Part 430. All utilities operating in Illinois must abide by these rules except for cooperatives and municipal utilities which are not regulated by the Commission.

The most important portion of the rules is the requirement that a utility must purchase cogenerated power at a price commensurate with the utility's avoided cost. Table 3-1 on page 22 lists 2001 avoided costs as filed annually by Illinois electric utilities.

Section 8-403 of the Public Utilities Act requires the Commission to conduct a study of procedures and policies to encourage the full and economical utilization of cogeneration and small power production. Pursuant to Section 8-403, the Commission submitted reports to the Governor and General Assembly in 1986 and 1987.

## Special Rates

Cogeneration/self generation displacement and deferral rates can be in the form of special contracts or designed as tariffs. In each case the Commission's position has been to promote economic cogeneration or self generation, while avoiding uneconomic bypass of the utility's system. When the cogeneration or self generation discount rate brings a customer's individual rate closer to the utility's marginal cost of providing service, uneconomic bypass is less likely to occur.

**TABLE 3-1**  
**Avoided Cost Rate Structure of Illinois Electric Utilities <sup>1</sup>**  
**(2002)**

	Summer Rates	Winter Rates
Central Illinois Light		
On-Peak	2.67¢/Kwh	2.64¢/Kwh
Off-Peak	2.01¢/Kwh	2.10¢/Kwh
Central Illinois Public Service		
On-Peak	2.30¢/Kwh	2.30¢/Kwh
Off-Peak	2.30¢/Kwh	2.30¢/Kwh
Commonwealth Edison		
On-Peak	6.16¢/Kwh	3.95¢/Kwh
Off-Peak	2.46¢/Kwh	2.15¢/Kwh
Illinois Power		
On-Peak	1.46¢/Kwh	1.23¢/Kwh
Off-Peak	1.18¢/Kwh	1.15¢/Kwh
Interstate Power		
On-Peak	4.27¢/Kwh	3.03¢/Kwh
Off-Peak	2.25¢/Kwh	2.06¢/Kwh
MidAmerican Energy		
On-Peak	2.08¢/Kwh	1.70¢/Kwh
Off-Peak	1.39¢/Kwh	1.34¢/Kwh
Mt. Carmel Public Utility		
On-Peak	1.90¢/Kwh	1.90¢/Kwh
Off-Peak	1.90¢/Kwh	1.90¢/Kwh
South Beloit Water Gas & Electric		
On-Peak	4.27¢/Kwh	3.03¢/Kwh
Off-Peak	2.25¢/Kwh	2.06¢/Kwh
Union Electric		
On-Peak	2.78¢/Kwh	1.84¢/Kwh
Off-Peak	1.61¢/Kwh	1.69¢/Kwh

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Source: Annual Filings of Illinois electric utilities pursuant to 83 Ill. Adm. Code 430.110.

<sup>1</sup> Time differentiated rate pricing is shown at transmission or subtransmission levels where possible; additional credits available at lower voltages, loads, and times (except for Mt. Carmel). See each utility filing for exact avoided energy costs under specific conditions.





# **SECTION 4**

## **Availability of Utility Services to All Persons**



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***(4) A discussion of the extent to which utility services are available to all Illinois citizens including:***

***(a) Percentage and number of persons or households requiring each such service who are not receiving such service, and the reasons therefore, including specifically the number of such persons or households who are unable to afford such service.***

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The information necessary to determine the number of persons lacking utility service within the state is difficult to obtain. Part of the difficulty is that all utility companies within the state track accounts by residence and not by customer name. Thus, a utility could determine if a particular residence was disconnected and therefore no longer receiving service, but the utility would have no way of knowing whether that household regained service under another name in its own service territory or perhaps under the same name in a different service territory. In addition, persons disconnected might also move in with an acquaintance already receiving service or they might acquire service supplied by an electric co-operative or municipality over which we have no jurisdiction. Further, if the intent of the question is to ascertain the number of persons without access to a source of heat, the existence of non-utility sources such as wood stoves and kerosene heaters would further complicate the answer, thus the myriad of possibilities makes a truly accurate figure very elusive.

Although the Commission has limited resources available to determine the number of persons within the state lacking some type of utility service, and granting the uncertainty in accuracy of such a statistic, an estimate may be obtained by analyzing the disconnection and reconnection data provided to the Commission by all utilities.

To determine a rough estimate of the number of persons lacking utility service, one can look at the aggregate disconnection/reconnection figures for a 12-month period. The results for the period of December 2001 through November 2002 are as follows.

The average heat related residential class customer base equaled 7,089,019 households. In this class 260,064 accounts were disconnected and 144,402 were reconnected. This yields a 55.5 percent reconnection rate leaving 115,662 accounts not reconnected. The disconnected accounts represent 3.7 percent of the average residential customer base, while those accounts not reconnected represent a rate of 2 percent.

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***(4-b) a critical analysis of existing programs designed to promote and preserve the availability and affordability of utility services.***

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The Commission is aware of its obligations to minimize the dangers arising from unnecessary termination of gas and/or electric space heating service during the winter months. To minimize these dangers and be responsive to the needs of both Illinois consumers and the utilities that serve those consumers, the Commission has developed rules and regulations concerning the termination and reconnection of space heating service during the winter months. Many of these rules have since been enacted into law. In addition, the Commission has continued to refine its other rules regarding utility credit and collection activities to help Illinois utility consumers make timely payments on their obligations to utility companies and thus avoid termination of utility service. The following discussion is a synopsis of current regulations designed to promote and preserve the availability and affordability of residential utility services.

## **Temperature-Based Termination**

If gas or electric service is the only source of space heating or if electricity is used to control the only space heating equipment such as an electric blower fan on a gas furnace, these services may not be disconnected on any day when the National Weather Service forecasts that the temperature for the next 24 hours will be 32 degrees or below, or on a day before a holiday or weekend when the weather is forecasted to be 32 degrees or below any time before the next business day.

## **Preferred Payment Date**

Current residential customers who receive certain types of benefit checks out of cycle with their utility bills are allowed up to ten days subsequent to the customer's regular due date to make payment without penalty. This has benefited the low-income, elderly, and unemployed customers since they are able to avoid late payment charges and, in many cases, avoid paying a deposit to the utility.

## **Deferred Payment Agreement**

This agreement allows a customer who owes the utility for a past due bill to maintain utility service by paying the past due amount in installments over a period of four to twelve months while continuing to pay current bills as they become due. Of the customers whose service was reconnected during the winter of 2001 – 2002 and who were given a payment plan, 24 percent were allowed 6 months or longer to pay the past due amount. Depending on the outstanding amount, the amount of the current bills, and the customer's income, this rule helps many customers, but it falls short of assisting those customers who simply have utility bills that are greater than their income can afford. Commission rules do allow for reinstatement after default and renegotiation of the payment agreement if the customer's financial circumstances change for the worse.

## **Reconnection**

This rule provides that residential customers disconnected prior to the winter heating season and those customers disconnected during the winter heating season (December 1 through March 31) may be reconnected upon the payment of one third of the amount due to the company. If financial inability to pay this amount is shown, one-fifth of the amount owed may be paid. The customer then must enter into a payment plan to pay the balance of the outstanding amount owed to the utility. It should be noted that in many cases the amounts paid to have service restored are obtained through grants from community organizations or through the Low Income Home Energy Assistance Program (LIHEAP) administered by Department of Commerce and Community Affairs.

The reconnection rule further states that this provision is available between November 1 and April 1 of the current heating season; that reconnection under this provision cannot be used in two consecutive years; that the former customer must have paid at least one third of the amount billed subsequent to December 1 of the prior year; and that the program is not available if any evidence of tampering with the meter is discovered.

As required in the "winter reconnection" rule, on or about October 1, 2001, letters were sent to 36,525 former customers statewide who, according to utility records, were not then receiving heat related utility service. A total of 9,931 former customers requested that their service be reconnected. Of these, 2,498 customers were reconnected upon payment of the total bill and 6,754 were reconnected upon payment of a portion of the past due utility bill. Reconnection requests of 679 customers were denied. The reasons for denial are categorized as follows:

- 487 former customers failed to make a required down payment;
- 148 former customers failed to pay one-third of the amounts billed since December 1, 2000;
- 9 former customers had been reconnected under this rule last year; and
- 35 former customers resided where equipment tampering or diverted utility service was detected.

The above information indicates that 26,594 former customers did not respond to the inquiries posed by the utilities. It is impossible to determine whether these households are truly without utility service and, if so, why they do not have service.

### **Financial Assistance:**

ICC-regulated utilities participate in the Low Income Home Energy Assistance Program (LIHEAP) administered by the Department of Commerce and Community Affairs. LIHEAP provides a one-time grant to eligible low-income customers.

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***(4-c) an analysis of the financial impact on utilities and other ratepayers of the inability of some customers or potential customers to afford utility service, including the number of service disconnections and reconnections, and cost thereof and the dollar amount of uncollectible accounts recovered through rates.***

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Uncollectible expenses for utilities represent revenues billed but not received for services rendered. Efforts are made to recover such revenues, but, after a certain period of time and effort, these amounts are charged as an expense and recovered in the regular rates charged to all customers.

The level of uncollectible expense is not perceived as a significant problem at the privately-owned water and/or sewer utilities in Illinois. Therefore, no effort has been made to analyze in detail the explicit data for those utilities.

To illustrate the amount of uncollectible expense for gas and electric utilities, the years 1999 and 2000 were chosen since these are the most recent data available at the Commission. The actual amount recovered in utility rates at any one time depends on the test year chosen for the utility's last rate case. For example, if a utility utilized a 1990 test year for its last rate case, the amount of uncollectible expense approved for the test year is embodied in that utility's rates until the next rate case. However, the level of uncollectible expense for the year of the utility's most recent annual report, 2000, was chosen because that year better indicates the current level of uncollectibles.

### **Electric Utilities**

Total Uncollectible Expense for all companies was \$59,280,397 in 2001 as compared to \$56,072,517 in 2000. This represented 0.68% of total Operating Revenues of \$8,685,964,102 in 2001 and 0.59% of Total Operating Revenues of \$9,575,065,721 in 2000. ComEd had the largest amount of Uncollectible Expenses with \$41,731,291 in 2001 and \$45,822,544 in 2000. This represented 0.68% of Total Operating Revenues in 2001 and 0.66% in 2000. The results are shown in Table 4-1 on page 28.

### **Gas Utilities**

Total Uncollectible Expense for all companies was \$72,067,536 in 2001 as compared to \$46,162,983 in 2000. This represents 1.54% of Total Operating Revenues of \$4,666,279,687 in 2001 and 1.10% of Total Operating Revenues of \$4,213,250,721 in 2000. Peoples had the largest amount of Uncollectible Expenses with \$34,114,183 in 2001 and \$23,034,343 in 2000. This represented 2.60% of Total Operating Revenues in 2001 and 2.30% in 2000. The results are shown in Table 4-2 on page 29.

**Table 4 – 1**  
**Illinois Electric Utilities**  
**Comparison of Uncollectible Expense to Total Revenues**  
**2000-1999**

<u>Electric Utilities</u>	<u>Uncollectibles</u>		<u>Revenues</u>		<u>Percent Uncollectibles to Total Revenues</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
CILCO.	3,392,365	999,996	391,906,302	398,973,019	0.87%	0.25%
AmerenCIPS	4,942,638	2,554,031	670,159,859	696,194,946	0.74%	0.37%
ComEd	41,731,291	45,822,544	6,166,417,342	6,970,728,656	0.68%	0.66%
Illinois Power	7,288,601	5,695,336	1,137,786,609	1,192,082,770	0.64%	0.48%
Interstate Power *	56,255	75,059	18,556,380	18,509,903	0.30%	0.41%
MidAmerican *	896,175	418,569	132,776,978	124,413,393	0.67%	0.34%
Mt. Carmel	22,831	11,828	9,849,308	9,723,139	0.23%	0.12%
South Beloit	106,704	62,417	12,687,726	11,695,507	0.84%	0.53%
AmerenUE *	843,537	432,737	145,823,598	152,744,388	0.58%	0.28%
Total	59,280,397	56,072,517	8,685,964,102	9,575,065,721	0.68%	0.59%

\* Illinois Uncollectible Expenses are a ratio of System-wide Uncollectible Expenses.

**Table 4-2**  
**Illinois Gas Utilities**  
**Comparison of Uncollectible Expense to Total Revenue**  
**2000-1999**

<u>Gas Utilities</u>	<u>Uncollectibles</u>		<u>Revenues</u>		<u>Percent Uncollectibles to Total Revenues</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
CILCO	2,762,343	999,996	285,699,063	251,881,076	0.97%	0.40%
AmerenCIPS	1,202,350	546,000	170,151,029	176,771,176	0.71%	0.31%
Consumers Gas	30,494	19,846	6,353,139	5,849,580	0.48%	0.34%
Illinois Gas	73,931	38,973	11,619,944	11,402,437	0.64%	0.34%
Illinois Power	8,279,653	2,803,895	476,590,951	393,536,213	1.74%	0.71%
Interstate Power *	2,541	3,391	5,953,770	4,977,385	0.04%	0.07%
MidAmerican *	468,130	305,487	8,662,143	65,564,075	5.40%	0.47%
Mt. Carmel	21,434	7,217	3,967,165	3,063,122	0.54%	0.24%
North Shore	1,134,541	985,595	228,665,171	197,957,612	0.50%	0.50%
Nicor Gas	23,237,376	16,578,000	2,105,919,051	1,883,739,408	1.10%	0.88%
Peoples Gas	34,114,183	23,034,343	1,313,576,076	1,173,213,421	2.60%	1.96%
South Beloit	59,727	69,584	6,629,457	5,624,867	0.90%	1.24%
AmerenUE *	230,602	216,421	17,665,856	18,836,458	1.31%	1.15%
United Cities *	450,231	554,235	24,826,872	20,833,891	1.81%	2.66%
Total	72,067,536	46,162,983	4,666,279,687	4,213,250,721	1.54%	1.10%

\* Illinois Uncollectible Expenses are a ratio of System-wide Uncollectible Expenses.



## CONSUMER EDUCATION ACTIVITIES

### Customer Choice—"Plug In Illinois"

Section 16-117 of the Public Utilities Act, the Illinois Electric Service Customer Choice Rate and Rate Relief Law of 1997, restructures the state's electric utility industry. It requires the Illinois Commerce Commission to maintain a consumer education program to provide residential and small commercial retail customers with information to help them understand their service options, rights, and responsibilities. In accordance with the law, the ICC formed a working group in July 1998 consisting of representatives of the investor-owned utilities, alternative retail electric suppliers, consumer organizations, and ICC staff to develop the information. To meet the mandate, the working group developed a competitively-neutral brochure and bill insert for small commercial retail customers and for residential customers and made recommendations for the consumer education plan's implementation. Eligibility for choice has been accomplished in phases. The Commission approved the materials for small commercial retail customers in March of 1999 and approved updates to the bill insert October of 2000. In November of 2001, the Commission approved a bill insert and brochure developed by the Working Group for residential customers. Educational material was distributed to 5.25 million residential customers prior to May 1, 2002, when they became eligible for choice.

The focus of the FY 2002 campaign focused on reminding business customer about choice and promoting awareness of electric service restructuring to more than 5 ¼ million residential customers. The integrated campaign approach utilized paid media, media relations, grassroots outreach, and public service announcements.

Advertising efforts continued to target the approximate 500,000 non-residential customers. Advertisements in trade publications, newspapers, and radio were placed to make business customers aware of the availability of information from the ICC and the ICC's web site. Trade publication and business organization on-line advertising and web site links further served to educate customers regarding the availability of information on electric choice. The brochures continued to be made available through the ICC's toll-free phone number, the Plug In Illinois electric restructuring web site, utilities, and other organizations throughout the year.

Various news releases generated media coverage in business trades, daily and weekly newspapers, and news wire services. A variety of radio formats, often including interviews with ICC Commissioners offered information about electric restructuring. The ICC's FY2002 business and residential consumer education campaign earned an estimated 38.1 million impressions through comprehensive program efforts (impression estimates in millions per campaign component: paid media, 10.7; media relations 14, Public Service Announcement 7.1, grassroots outreach 6.3).

Grassroots outreach included a wide range of activities, including strategic linking from Web sites, placing articles in association newsletters and magazines, placements on the Web site, banner ads and countdown boxes on Web sites, brochure and video distribution through office and membership meetings, and speaking engagements. Materials were presented at the Governor's Small Business Summit and at various speaking engagements and other business group events throughout the year. The following business organizations received materials to be used at events and in member communications: the Illinois Retail Merchants Association, Illinois Manufacturing Association, Illinois Chamber of Commerce, the Illinois Municipal League (IML), and others. The Lake County Chamber of Commerce and the Department of Commerce and Community Affairs included articles regarding choice in their newsletters. The following parties were among those that took part in grassroots outreach activities aimed at residential customers: Retired an Senior Volunteer Program, Community Energy Cooperative, Illinois Department of Aging, Quad County Urban League, Lake County Urban League, Urban League of Champaign County, Tri-county Urban League, Chicago Urban League, Springfield Urban League, IL Network for Independent Living, AARP, Illinois Farm Bureau, and others.

The ICC Plug In Illinois web site has sections for business and residential consumers containing an overview of the electric service restructuring and customer choices including brochure content in text form

as well as the brochures and bill inserts in downloadable formats, a list of suppliers (both certified and pending), frequently asked questions, and other information. It also includes e-mail links for comments, questions, and complaints and a survey box for users. The web site is updated with new and additional information, including ARES/supplier changes, as needed, to enhance its effectiveness. The residential web page is available in English and in Spanish. This year the Plug In Illinois web site has recorded more than 4,300 "visitors".

A survey was conducted in May 2002 interviewing 804 residential electric customers across the state to the effectiveness of the consumer education program. Highlights of the survey are:

- Most respondents have heard at least something about electric restructuring in Illinois and more than half have heard about the potential benefits of electric restructuring.
- Most respondents rely on newspapers, television, or their current utility for information about restructuring.
- More than one in five respondents are aware of the ICC as an information resource for electric restructuring issues.
- More than 70% of respondents indicated an interest in learning more about restructuring.
- More than one third of all respondents indicated awareness that their current utility will continue to handle all aspects of service beyond supply of electric power.

Distribution of materials during the year 2002 included approximately 2,700 business brochures, 69,000 business bill inserts, 121,000 residential brochures (English), 4,800 residential brochures (Spanish), 5.25 million residential bill inserts. Distribution channels included the ICC web site, ICC toll-free number, utilities, ARES, and other organizations.



# **SECTION 5**

## **Implementation of the Commission's Statutory Responsibilities**



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***(5) A detailed description of the means by which the Commission is implementing its new statutory responsibilities under this Act, and the status of such implementation, including specifically:***

***(5-a) Commission reorganization resulting from the addition of an Executive Director and hearing examiner qualifications and review.***

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During 2002, there were no organizational changes resulting from statutory responsibilities. Various changes made since the passage of the new Public Utilities Act have been reported in previous Commission annual reports. Ongoing organizational changes are reported on page 5.

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***(5-b) Commission responsibilities for construction and rate supervision, including construction cost audits, management audits, excess capacity adjustment, phase-ins of new plant and the means and capability for monitoring and reevaluating existing or future construction projects.***

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## **CONSTRUCTION AUDITS**

### **Statutory Requirements**

Section 8-407(b) and 9-213 of the 1986 Public Utilities Act grants the Commission the authority to conduct construction audits. Pursuant to Section 8-407(b), the Commission, after granting a certificate of public convenience and necessity for the construction of a new electric generating facility, is granted the authority to perform construction cost audits at any time during construction whenever the Commission has cause to believe that such an audit is necessary or beneficial to the efficiency or economy of construction.

Section 9-213 requires the Commission to perform an audit of the cost of new electric utility generating plants and significant additions to electric utility generating plants to determine if the cost is reasonable prior to including such construction costs in rate base.

Section 8-407(b) and 9-213 both grant the Commission the authority to engage independent consultants to perform these audits. If a construction audit is performed by an independent consultant, the cost will be borne initially by the utility, but shall be recoverable as an expense through normal ratemaking procedures.

### **Commission Responsibilities**

In order to comply with the Public Utilities Act, the Commission must monitor the major construction activities of all electric utilities within the state to assure that such construction is efficient and economical. The Commission is also required (Sec. 8-407(a)) to reevaluate the propriety and necessity at least every two years of each certificate of necessity issued to the construction of a new electric generating facility. In order to comply with the above responsibilities, the Commission has the authority to conduct construction cost audits.

### **Section 8-407(b) Activities**

No activities were required during 2002.

## **Section 9-213 Activities**

No activities were required during 2002.

## **MANAGEMENT AUDITS**

### **Statutory Requirements**

The Commission has authority under Section 8-102 of the Public Utilities Act to conduct management audits of public utilities. The Commission may choose to conduct the audits with its own staff or it may contract with independent consultants to perform the management audits. Prior to initiating an audit of a utility, the Commission must determine that reasonable grounds exist to believe an audit is necessary or cost-beneficial.

The statute allows for the costs associated with the use of independent consultants to be borne by the utilities with recovery provided through the normal ratemaking process.

### **Commission Responsibilities**

Prior to initiating a management audit or investigation of a utility, the Commission must have "reasonable grounds to believe that such audit or investigation is necessary to assure that the utility is providing adequate, efficient, reliable, safe, and least-cost service and charging only just and reasonable rates therefor, or that such audit or investigation is likely to be cost beneficial in enhancing the quality of such service or the reasonableness of rates therefor." The Commission shall "issue an order describing the grounds for such audit or investigation and the appropriate scope and nature of such audit or investigation."

No auditing activities were undertaken during 2002.

### **Excess Capacity and Used and Useful**

Section 9-215 of the Public Utilities Act gives the Commission the "power to consider, on a case by case basis, the status of a utility's capacity and to determine whether or not such utility's capacity is in excess of that reasonably necessary to provide adequate and reliable electric service". The Commission is also authorized to make adjustments to rates if a finding of excess capacity is made. This section conditions this authority for generating units whose construction programs started prior to the effective date of the current Act, January 1, 1986. That is, for generating units whose construction started prior to the effective date of the current Act, the Act requires that a determination of excess capacity or utility plant used and useful will be made from that which is appropriate under prior law.

No activities were required during 2002.

## **RATE MODERATION PLAN**

The Public Utilities Act authorizes the Commission to consider the adoption of a rate moderation plan which would lessen rate impacts associated with new power plants coming into service.

During 2002, no new power plants were placed in service in Illinois. As a result, the Commission did not use its authority to adopt a rate moderation plan.

## **COST-BASED RATES**

The Public Utilities Act considers cost-based rates an important component of equity for ratepayers. Specifically, the act states that the cost of supplying public utility services should be allocated to those

who cause the costs to be incurred [Sec. 1-102(d)(iii)]. The need to base rates on costs has increased as the utility environment becomes more competitive. A close relationship between rates and costs will discourage uneconomic bypass of the utility system by ratepayers. Uneconomic bypass is costly to the utility, ratepayers and society as a whole.

The Commission made consistent progress towards the establishment of cost-based rates in utility rate cases conducted over the years 1993-2002.

A total of fourteen gas and three electric rate cases were filed during this period. Additionally, with the passage of the Electric Service Customer Choice and Rate Relief Law of 1997, nine electric utilities filed cases for delivery services implementation and for residential delivery services implementation and eight electric utilities filed cases for metering services unbundling. The gas cases were filed by Iowa-Illinois gas and Electric (IIGE) which is now Mid-American Energy Company, Illinois Power Company (IP), Central Illinois Light Company (CILCO), Peoples Gas Light and Coke Company (Peoples), North Shore Gas Company (North Shore), Northern Illinois Gas Company (NI-Gas), Mt. Carmel Public Utility Co.(Mt. Carmel), Illinois Gas Company (IGC), Central Illinois Public Service Company (AmerenCIPS), Union Electric Company (AmerenUE), United Cities Gas Company and Consumers Gas Company. Electric rate cases were filed by IIGE, Commonwealth Edison Company (ComEd) and Mt. Carmel. The electric delivery service cases were filed by ComEd, IP, CIPS, UE, Mt. Carmel, MidAmerican, CILCO, South Beloit Water, Gas and Electric Company (SBWGE)and Interstate Power Company (IPC). Additionally, except for Mt. Carmel, the same electric Companies filed for unbundling of delivery services.

All nine electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing.

The Public Utilities Act also required that AmerenCIPS and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates on October 1, 2002. Neither utility was required to reduce its residential rates. The Act also mandated that Illinois Power reduce its bundled residential rates by 5% on May 1, 2002, and that CILCO reduce its bundled residential rates by 1% on October 1, 2002.

### **Commission Actions to More Fully Implement Cost-Based Rates: Gas**

In the IIGE case (Docket Nos. 92-0292, 92-0357 Consolidated), the Commission determined that interclass cost subsidies should be reduced subject only to the constraint that no customer class receive a total revenue increase of more than 10% and that individual rate elements should be more closely aligned to costs.

In the IP case (Docket No. 93-0183), the Commission adopted an allocation of base revenues which effectively eliminated interclass subsidies at then-current rate levels.

In the CILCO case (Docket No. 94-0040), the Commission decision was to more closely align rates with costs through a 75% reduction in interclass subsidies and more cost-based rate designs.

In the North Shore and Peoples cases (Dockets no. 95-0031 and 95-0032), the Commission adopted the Average and Peak allocator method. The Commission also made further progress towards cost-based interclass revenue allocations.

In the NI-Gas case (Docket No. 95-0219), the Commission again adopted the Average and Peak allocator method. The Commission adopted a revenue allocation that significantly reduced interclass subsidies and initiated cost-based rate designs.

In the Mt. Carmel gas and electric case (Docket No. 97-0513), the Company performed a cost of service study (COSS), as did Staff. The Commission concluded that rates agreed to by the parties made movement towards subsidy elimination, while recognizing customer impact concerns.



In the Illinois Gas Company case (Docket No. 98-0298), the Company submitted an embedded cost of service study utilizing GasWorks 1.0, which is a COSS program designed by the Commission Staff. Staff proposed a few minor allocation changes, which the Company accepted. Staff proposed and the Commission accepted Staff's interclass allocation methodology, which eliminated cross-subsidization between rate classes. Staff and the Company agreed to class rate design which made movement towards intra-class subsidy elimination, while recognizing customer impact concerns.

In the AmerenCIPS and AmerenUE cases (Docket Nos. 98-0545 and 98-0546), both the Company and Staff provided cost of service studies. Staff however, proposed using the average and peak allocation method for allocating capacity-related transmission and distribution costs. The Company accepted Staff's COSS and interclass revenue allocation methodologies in the rebuttal stage of the proceeding. In both cases, Staff proposed basing the customer charge for the general delivery service rates on meter capacity. This resulted in two customer charges, for both AmerenCIPS and AmerenUE' general service rate class, compared to the Company's proposal of one rate. Staff stated that since there is such a diverse group of customers with substantially different sized meters in the classes, separating them by meter capacity will further eliminate intra-class subsidies. The Company and Commission agreed. The Company and Staff agreed to a rate design methodology that made considerable movement towards intra-class subsidy elimination. All parties agreed that full movement toward fully cost-based rates would cause undue negative customer impacts.

In the MidAmerican case (Docket No. 99-0534) the Company performed a cost of service study and based the proposed rates on cost of service. Staff of the Commission reviewed that study and presented testimony. An order was entered and the rates became effective in July, 2000.

In the United Cities Gas Company case (Docket No. 00-0282), the Company accepted the COSS and the rate design proposed by Staff. The Staff-designed rates included increased costs in the customer charges that more properly reflect the true cost of service.

In the Consumers Gas case (Docket No. 00-0618), which was filed in September 2000, the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. An order was entered in June 2001.

In the MidAmerican case (Docket No. 01-0444) the Company performed a cost of service study and based the proposed rates on cost of service. Staff of the Commission reviewed that study and presented testimony. An order was entered and an Order was approved in March 2002.

CILCO filed a gas rate case on November 22, 2002, and an order is due within 11 months.

Ameren/CIPS and Ameren/UE filed a gas rate case on November 27, 2002, and an order is due within 11 months.

### **Commission Actions to More Fully Implement Cost-Based Rates: Electricity**

In the IIGE electric rate case (Docket Nos. 92-0292, 92-0357 Consolidated), the Commission accepted an interclass revenues allocation that reduced cost subsidies by 25% according to embedded costs and a more cost-based rate design.

In the ComEd case (Docket No. 94-0065), the Commission moved towards cost-based rates based on the equal percentage of marginal costs approach and individual rate elements for all rate classes closer to marginal costs.

The delivery services tariff cases to establish non-residential rates for delivery services involved all nine electric utilities:

CIPS and UE (Docket No. 99-0121)

MidAmerican Energy Company (Docket Nos. 99-0122 & 99-0130)

Cilco (Docket Nos. 99-0119 & 99-0131 cons.)  
ComEd (Docket No. 99-0117)  
IP (Docket Nos. 99-0120, 99-0134 & 99-0140 cons.)  
IPC and SBWGE (Docket Nos. 99-0124, 99-0125, 99-0132 & 00-0133 cons.)  
Mt. Carmel (Docket No. 99-0116)

Each delivery service proceeding consisted of taking a test year revenue requirement, which was made up of transmission, distribution and generation components, and separating these components out for cost of service purposes. The generation component will be market based, while the transmission component will be regulated by FERC. The goal of delivery services was to have cost-based delivery service rates, which represent the distribution portion of the electric system. The Commission approved cost-based rates for each utility. Approval of cost-based rates helps facilitate the next stage of deregulation, which is unbundling. Competition for unbundled services will largely depend on cost-based delivery service rates.

In the unbundling cases (Docket No. 99-0013), all utilities, except Mt. Carmel, filed tariffs for the unbundling of metering services. Staff reviewed those filings, and the Commission Order was issued on October 4, 2000, and became effective on January 1, 2001. Cost-based rates for unbundled delivery services will be a prime factor in initiating competition in Illinois.

Delivery services tariffs for all residential customers became effective on May 1, 2002. As part of their plans for delivery services, AmerenCIPS and AmerenUE filed new residential delivery services tariffs, and also filed updated non-residential delivery services tariffs, in December 2000. The other seven utilities filed their proposed rates in 2001 and all dockets, except Commonwealth Edison's, were completed to establish delivery services rates for their residential classes, as well as new non-residential delivery services rates. Commonwealth Edison's docket will be completed in 2003.

All nine electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing. The appropriate filings were made and the rates became effective on October 1, 2000.

The Public Utilities Act also required that AmerenCIPS, and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates on October 1, 2000. The comparison indicated that AmerenCIPS and AmerenUE were not required to reduce their bundled residential rates on that date.

According to the Public Utilities Act CILCO was required to reduce its bundled residential rates by 2% on October 1, 2000.

The Public Utilities Act also required that ComEd reduce its bundled residential rates by 5% on October 1, 2001.

## **MERGERS**

On June 19, 2002, Ameren Corporation and Central Illinois Light Company (CILCO) filed an application seeking approval for CILCO to engage in a reorganization pursuant to Section 7-204 and 7-204A of the Illinois Public Utilities Act. This Application provided that Ameren would purchase CILCO from its parent, AES Corporation. Following an investigation, the Commission entered an order on December 4, 2002 authorizing the acquisition by Ameren with certain conditions.

On December 21, 2001, Illinois-American Water Company and Thames Water Aqua Holdings GmbH, on behalf of itself and its parent company, RWE, Aichtengellsellshaft, filed a petition for reorganization under Section 7-204. Under the terms of the agreement, RWE, through Thames Holdings, Thames Water Aqua US Holdings, and Apollo Acquisition Company would acquire control of American Water Works Company, the parent of Illinois-American Water Company. American Water Works Company would be

the surviving corporation and its ownership of Illinois-American is unchanged. There was an investigation and hearing. The Commission approved the reorganization with one dissenting opinion on November 20, 2002.

### **ASSET TRANSFER OR SALE**

Illinois Power Company filed notice, pursuant to 16-111(g) of the Public Utilities Act of its intent to transfer its transmission system to Illinois Electric Transmission Company, a non-affiliated interest. On November 20, 2002, the Commission initiated a proceeding to determine if the transaction should be approved. This proceeding is currently on-going.

### **INFORMATIONAL FILINGS**

The following transactions required only informational filings by the utility:

#### **AmerenCIPS –**

- Transfer of EEI Inc stock to Ameren Resources
- Transfer of CIPS building at 607 East Adams to CIPSCO Investment Company and entry into related agreements
- Transfer and leaseback of real property and improvements to city of Bowling Green, Mo.

#### **CILCO –**

- Transfer of generating assets to CIGI

#### **Commonwealth Edison –**

- Accounting changes for plant asset depreciation rates
- Sale of vacant farmland located in unincorporated DuPage County, IL

#### **Illinois Power –**

- Sale of transmission assets to Illinois Electric Transmission Co.

### **DECOMMISSIONING**

No decommissioning proceedings were completed in 2002

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***(5-c) Promulgation and application of rules concerning ex parte communications, circulation of recommended orders and transcription of closed meetings.***

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The Commission's rules concerning *ex parte* communications (83 Ill. Adm. Code 200.710) and the circulation of recommended orders (83 Ill. Adm. Code 200.820) remained in effect in 2001 and were applied throughout the year. Closed meetings were transcribed verbatim as required by Section 10-102 of The Public Utilities Act.

# **SECTION 6**

**Appeals from  
Commission  
Orders**



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**(6 ) A description of all appeals taken from Commission orders,  
findings or decisions and the status and outcome of such appeals.**

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This section includes only appeals either filed in 2002 or upon which a judicial decision was received in 2002. Excluded are appeals involving motor carriers, rail carriers, or other regulated transportation and all non-appeal judicial actions, such as enforcement and collection actions, employment suits, or federal administrative and judicial actions, in which the Commission may have participated as plaintiff, defendant, intervenor, or amicus.

**I. APPEALS AND OTHER JUDICIAL REVIEW PROCEEDINGS FILED IN 2002**

1. Illinois Bell Telephone Company v. Illinois Commerce Commission, ICC No. 98-0396; U.S Dist. Ct (N.D. Ill.) No. 02 C 0131; Illinois Appellate Court (3<sup>rd</sup> Dist.) No. 3-02-0013. Appeal of Commission Order under 220 ILCS 5/10-201 and Complaint for declaratory and other relief under 47 USC 252(e)(6) from order of the Illinois Commerce Commission regarding Illinois Bell compliance with the filing of tariffs and accompanying cost studies for interconnection, Unbundled Network Elements and local telecommunications transport and termination. *Status*: Pending.
2. Illinois Power Company v. Illinois Commerce Commission, ICC No. 00-0714, Illinois Appellate Court (5<sup>th</sup> Dist.) No. 5-02-0065. Appeal of Commission Order under 220 ILCS 10-201 concerning the Purchase Gas Adjustment reconciliation of Illinois Power's year 2000 gas purchases. *Status*: Briefed and argued.
3. Illinois Power Company v. Illinois Commerce Commission, ICC No. 01-0432; Illinois Appellate Court (5<sup>th</sup> Dist.) No. 05-02-0406. Appeal from establishment of delivery service tariffs. *Status*: Pending.
4. Harrisonville Telephone Company, et al. v. Illinois Commerce Commission, ICC Nos. 00-0233 / 00-0335, Illinois Appellate Court No. 5-02-0199, et al. *Status*: Briefed and Argued
5. Commonwealth Edison Company v. Illinois Commerce Commission, ICC Docket No. 99-0117 (On Remand), Illinois Appellate Court (2<sup>nd</sup> Dist.) No. 2-20-0349. Appeal of remanded Commission order concerning Commonwealth Edison Company's delivery services tariffs under section 16-108 of the PUA. *Status*: Awaiting oral argument.
6. Commonwealth Edison Company v. Illinois Commerce Commission, ICC No. 01-0423, Illinois Appellate Court No. 2-02-0521. Appeal by Commonwealth Edison Company of Interim order establishing residential delivery services tariffs. *Status*: Stayed pending entry of final order by the Commission.
7. Illinois Bell Telephone Company v. Illinois Commerce Commission, ICC No. 02-0160, Illinois Appellate Court (3<sup>rd</sup> Dist.) No. 3-02-0944. Appeal of Commission Order under Sections 13-304 and 13-305 of the Act determining that Illinois Bell was subject to penalties regarding its dealings with Z-Tel Communications, Inc. *Status*: Pending.
8. Illinois Bell Telephone Company v. Illinois Commerce Commission, ICC No. 01-0614, Illinois Appellate Court No. 4-02-0694.

Illinois Bell v. Wright, U.S. Dist Court, N.D. Ill, No. 02 C 6002, ICC No. 01-0614.

Appeal under Section 10-201 of the PUA and Complaint for Declaratory and Other Relief under 28 U.S.C. § 1331 regarding Commission order implementing tariff provisions related to Section 13-801 of the PUA. *Status*: Appellate Court proceeding stayed pending outcome of federal action.

9. Resource Technology Corporation v. Illinois Commerce Commission, ICC No. 02-0455, Illinois Appellate Court (1<sup>st</sup> Dist.) No. 1-02-2732.  
Appeal of Commission Order regarding Commonwealth Edison Company request for declaratory ruling under 83 Ill. Admin. Code 200.220 that it was not required to pay the Retail Rate to Resource Technology Corporation for its Qualified Solid Waste to Energy Facility generation in excess of the amount provided by previous Commission Order. *Status*: Pending.
10. Illinois Bell Telephone Company v. Illinois Commerce Commission, ICC No. 01-0120, Illinois Appellate Court Nos. 3-02-738 and 3-02-0920 (consol). Appeal of Commission Orders establishing remedy plan pursuant to Commission Order in ICC No. 98-0555. *Status*: Pending.
11. Soyland Power Cooperative, Inc. v. Illinois Commerce Commission, ICC No. 01-0675, Circuit Court of Sangamon County No. 02-MR-0482. Complaint for Administrative Review regarding Interim Commission Order denying party status to Soyland Power Cooperative. *Status*: Motions to Dismiss the action as premature have been filed by Freeman United Coal Mining Company and Central Illinois Public Service Company.
12. Globalcom, Inc v. Illinois Commerce Commission, ICC No. 02-0365, Illinois Appellate Court (1<sup>st</sup> Dist.) Nos. 1-02-3605 and 1-03-0068. Appeals of Commission Order and Order on Rehearing concerning Globalcom complaint against Illinois Bell for damages relating to collocation requirements for obtaining Enhanced Extended Loops. *Status*: Pending.

## **II. APPEALS AND OTHER JUDICIAL REVIEW PROCEEDINGS INVOLVING PUBLIC UTILITIES OR TELECOMMUNICATIONS CARRIERS DECIDED IN 2002**

### **A. Cases Under the Public Utilities Act, 220 ILCS 5 in which decisions were rendered either by Opinion of the Court or by an Order issued under Supreme Court Rule 23. (A Rule 23 Order decides a case on its merits, but has limited effect as precedent on other cases.)**

#### **(1) Illinois Bell Telephone Company v. Illinois Commerce Commission**

Ill. App. Ct. Nos. 3-00-0860 and 3-01-0331  
ICC No. 99-0615

#### **Appeals from Commission Orders Establishing Collocation Tariffs Under Article XIII of the Act**

On January 11, 2002 the Third District Appellate Court entered an Opinion affirming the Commission's Order concerning Illinois Bell's proposed expansion of its collocation tariffs. The underlying case involved Commission Orders entered on August 15, 2000 and January 31, 2001, concerning the proposed expansion by Illinois Bell of its collocation tariffs. Collocation refers to the ability of an entity that is not the local phone company to put its equipment in the phone company's offices in order to join with the phone company equipment. The case came about as a result of action by the Federal Communications Commission ("FCC") in In the Matters of Deployment of Wireline Services Offering Advanced Telecommunications Capability, First Report and Order and Further Notice of Proposed Rulemaking, CC Docket 98-147, 14 FCC Rcd. 4761, 1999 FCC Lexis 1327 (rel. March 31, 1999) ("the Advanced Services Order" or "ASO"). In the ASO the FCC required Incumbent Local Exchange Carriers ("ILECs") to provide three new forms of collocation: shared cage, cageless and (when space is exhausted) adjacent structure collocation. Recognizing that different incumbent LECs make

different collocation arrangements available on a region-by-region, state-by-state, and even central office-by-central office basis the FCC concluded that the deployment by any incumbent LEC of a collocation arrangement gives rise to the rebuttable presumption in favor of a competitive LEC ("CLEC") seeking collocation in any incumbent LEC premises that such an arrangement is technically feasible. Advanced Services Order, ¶ 45.

On appeal, Illinois Bell raised two arguments. The first was that the Commission was required to, but in fact did not, analyze the terms and conditions of the company's offerings to determine whether they were just and reasonable. The second is that the Company established a *prima facie* case for the reasonableness of its costs by submitting its estimate of costs to the Commission, thereby requiring all who took issue with the study's conclusion to offer "affirmative evidence" of the Company's bad faith or inefficiency, a burden allegedly not met through Staff's testimony. The Court rejected both arguments. First, the Court determined that, although technical feasibility does not make a practice just and reasonable, the Commission's Order did not confine itself to examining technical feasibility. Rather, the Court noted that the Commission's stated inquiry in this case was to determine whether Ameritech's collocation services tariff was just and reasonable and non-discriminatory. The Court further noted that technical feasibility was only part of the Commission's finding, that the Commission also made the finding that the arrangements ordered by the Commission constituted good competitive policy and that, while not specifically listing why the arrangement adopted was good competitive policy, the Order set out the CLECs' reasons why Ameritech's proposal was unreasonable. The Court concluded that a reading of the entire order indicates that the Commission did not simply rely on Southwestern Bell's tariff and use a "best practices" standard but instead analyzed Ameritech's shared collocation arrangements under a "just and reasonable" standard. With regard to the Commission's determination to require that adjacent structure collocation be made available as a standard offering, the Court noted that the Commission gave detailed reasons for its decision. Accordingly, the Court again concluded that the Commission employed the proper "just and reasonable" standard. Id.

Second, with regard to Central Office Build-Out ("COBO") charges, the Court accepted Ameritech's argument, over the Commission's objection, that once it submitted its cost studies it made a *prima facie* case supporting its collocation costs. Nevertheless, the Court affirmed the Commission's rejection of those studies based on the testimony of Staff witness Doug Price.

(2) Commonwealth Edison Company v. Illinois Commerce Commission

Ill. App. Ct. No. 2-01-0635  
ICC No. 00-0494

**Appeal of Commission Order Establishing Scope  
Of Commonwealth Edison Company's Responsibilities  
To Provide Single Billing Option Under Section 16-118(b) of the Act**

This is an appeal of a Commission Order which interpreted the scope of the "Single Billing Option" under Section 16-118(b) of the Public Utilities Act ("Act"). Under that section, where an electric utility provides delivery services under Section 16-102 of the Act but an Alternative Retail Electric Supplier ("ARES") supplies the electricity to a customer, the utility must have on file with the Commission a tariff which would allow for the ARES to provide the customer with a single bill for its electric services as well as for the delivery services of the utility. In the Order, the Commission concluded that the Act does not consider a billing by the ARES of any past due bundled service amount still owed to the utility for purposes of the single billing option. The Commission also determined that payments associated with delivery services should be applied only to charges associated with delivery services balances and not applied to older bundled service balances still owed the utility. In affirming the Commission, the Court determined that the statutory language was clear on its face that the purpose of the single bill was for the collection of the utility's delivery services charges. The Court also affirmed the Commission's decision regarding the order of crediting outstanding utility services charges, determining that as the statute only



requires an ARES to bill for the electric utility's delivery services it would be inconsistent to require ARES to credit partial payments toward other outstanding utility charges.

(3) Local Union Nos. 15, 51, and 702, IBEW v. Illinois Commerce Commission, et al.,

Illinois Appellate Court, 5th District No. 5-01-0416

I.C.C. Docket No. 00-0199

**Appeal from Order on Reopening Reaffirming Grant of  
ARES Certificate to Affiliate of Out-of-State Utility**

On June 20, 2002, the Illinois Appellate Court for the Fifth District released its opinion reversing a Commission's Order on Reopening, which order had affirmed the Commission's previous grant to WPS Energy Services ("WPS") of a certificate of public convenience and necessity ("Certificate") to operate in Illinois as an ARES under Section 16-115 of the Public Utilities Act ("Act"), 220 ILCS 5/16-115, had been lawful. The Court found Paragraph 16-115(d)(5) of the Act, *supra*, to be ambiguous and, relying on the interpretation in appellant IBEW's reply brief, held that the better construction would result in a denial of certification unless the applicant for ARES certification could meet three conditions which the Court found were contained in the Paragraph.

WPS had been granted an ARES certificate in April 2000. The Commission had reopened the certificate proceeding on March 16, 2001, to examine two issues: whether the Commission had misinterpreted the reciprocity test under Paragraph 16-115(d)(5) of the Act, *supra*, and whether the Commission erred in denying the submission of evidence from any person other than the applicant in the original proceeding.

The Commission's Order on Reopening of May 9, 2001, held that it was sufficient under Paragraph 16-115 (d) (5) of the Act, *supra*, for WPS to prove that power and energy could not physically or economically be delivered by Illinois utilities to the applicant's affiliated electric utilities in order to obtain an ARES certificate, without first opening to competition the service area of the affiliated utilities.

The Appellate Court disagreed with the Commission's analysis. Having determined that the paragraph at issue was ambiguous, the Court construed the paragraph to require that electric utility affiliates of applicants for ARES certificates must provide delivery services to the utility in whose service territory the applicant seeks to serve. The Court rejected the Commission's interpretation that made such a duty to provide delivery services conditional on it being physically and economically possible to provide such services. Although noting that the interpretations of the Commission and the appealing parties were both capable of being understood by reasonably well-informed people, the Court relied on a portion of the General Assembly's legislative findings under 220 ILCS 5/16-101A(c) to conclude that the legislature was concerned with allowing into the market new entrants that might be able to take an unreasonable advantage over the existing utilities and that, taken in that light, the petitioners' statutory construction was consistent with the legislature's perceived concern.

The Appellate Court then held WPS's and the Commission's construction of Paragraph 16-115 (d) (5) of the Act, *supra*, was inconsistent with the protection of Illinois public utilities from being taken unreasonable advantage of by new competitors. Therefore, the Appellate Court held that WPS must comply with the three conditions as set forth in its Opinion and remanded the case back to the Commission for further proceedings. The Commission's Petition for Leave to Appeal to the Illinois Supreme Court was denied.

(4) Illinois-American Water v. Illinois Commerce Commission, et al.

Illinois Appellate Court, Second District

Docket No. 2-01-0752

**Appeal from Order Disapproving of Agreement Between  
Water and Sewer Utility and Real Estate Developer Under  
83 Ill. Admin. Code § 600.370(a)**

On June 28, 2002, the Second District Appellate Court issued an Opinion affirming a Commission Order which disapproved portions of an agreement between a water/sewer utility and a developer which provided that the developer was to donate to the utility \$1.4 million worth of sewer plant. The main dispute on appeal concerned the Commission's determination that its water main extension rule pertained also to sewer supply plant additions. The water main extension rule provides that water service extensions requiring backbone plant additions are to be supplied by the utility at its own cost unless extensive plant additions need to be constructed. In the latter case it is allowable for a utility to receive advance funding from the developer subject to reimbursement.

In affirming the Commission the Court rejected arguments that the Commission did not have authority to review the aspects of the developer agreement pertaining to sewer plant. The Court reasoned that the sewer facilities at issue were part of a larger agreement allowing the utility to take over the entire water system in the new development. The Court also rejected the utility's argument that by applying the water rule to sewer utilities that the Commission, in effect, changed the scope of its rule without following the Administrative Procedures Act. The Court explained that the Commission did not and could not exact a rule change applicable to all utilities but made a decision that controlled only the agreement before it. The fact that the Commission looked to the water main extension rule to determine the reasonableness and fairness of the agreement did not, in the Court's view, make the decision invalid. The Court next rejected claims that the Commission erred in departing from past decisions, noting that Commission orders are not subject to res judicata and that the Commission's Order is squarely within its authority to make two different determinations in two separate cases which have different sets of facts. Finally, the Court found the Commission's conclusions to be supported by substantial evidence.

(5) Commonwealth Edison Company v. Illinois Commerce Commission, et al.

Illinois Appellate Court, Second District  
Docket Nos. 2-01-0038, et al  
ICC No. 00-0361

**Appeal from Order Establishing Decommissioning Rates to Fund the  
Decommissioning of Nuclear Power Plants**

On August 5, 2002, the Second District Appellate Court entered an opinion affirming a Commission Order which approved, with modification, Commonwealth Edison's ("ComEd") proposal to collect funds from its customers to finance the future decommissioning of nuclear power plants that ComEd transferred to an entity that is not regulated by the Commission. The Court found that Sections 16-114 and 9-201.5 of the Public Utilities Act ("Act"), 220 ILCS 5/16-114 and 9-201.5, read together, gave the Commission the statutory authority to permit an electric utility, under certain circumstances, to charge its customers for the future costs of decommissioning nuclear power plants it no longer owns. In so finding, the Court rejected the appellants' argument that the absence of language in Section 9-201.5 explicitly addressing post-sale decommissioning collections deprives the Commission of the authority to approve such collections. It also rejected assorted arguments made by the appellants that Section 16-114.1 of the Act bars ComEd's post-sale collection of decommissioning rates.

The Court also found that the Commission's order contained sufficient analysis to withstand judicial scrutiny, as required by Section 10-201(e)(iii) of the Act. Finally, the Court rejected various challenges to the amount of the approved decommissioning rate finding such rate to be just and reasonable and concluding that the Commission's findings were supported by substantial evidence and were not arbitrary.

## **B. OTHER REVIEW PROCEEDINGS**

- (1) Central Illinois Public Service Co. v. Illinois Commerce Commission and Illinois Rural Electric Co.

Sangamon County Docket Nos. 99 MR 333 and 01 MR 71,  
Ill.C.C. Docket Nos. 97-0287 and 99-0646 respectively

### **Actions in Administrative Review of Orders of the Commission Under the Electric Supplier Act**

On May 7, 2002, the Circuit Court for Sangamon County, Seventh Judicial District, affirmed Commission Orders in Docket Nos. 97-0287 and 99-0646. Both cases involved a service area agreement, approved under the Electric Supplier Act ("ESA"), 220 ILCS 30, and the same application question as to how the agreement applies after an annexation of some of the agreement's territory by municipalities. Under the ESA, in order to minimize disputes between electric suppliers and to avoid duplication of facilities electric suppliers, usually electric utilities and electrical co-operatives, are allowed to contract, subject to Commission approval, as to the respective areas in which each supplier would provide service.

In both cases, consolidated for argument and decision before the Circuit Court, the Commission had found that, under Paragraph 6 of the Agreement, the rights of Illinois Rural Electric Cooperative (IREC) were to be determined under the ESA upon municipal annexation. The Commission, thereafter, found that IREC had statutory grandfather rights to serve three out of four of the disputed developments/homesteads. As was expressly noted in the second case, the ultimate decisions herein were consistent with the expressed territorial division in the service area agreement.

CIPS challenged the Commission's decision, arguing that the grandfather rights were controlled by what is commonly known as the Canton Prison case, Central Illinois Public Service Company v. Illinois Commerce Commission, 219 Ill. App. 3d 291 (4<sup>th</sup> Dist., 1991). In that case, grandfather rights arising from Paragraph 1 of the service area agreement were held to be more restrictive than grandfather rights under the statute. By docket entry entered May 7, 2002, the Circuit court affirmed the two Commission orders, explaining only that the Court felt bound by well-settled case law of the Fourth District Appellate Court. From this ruling, CIPS has taken further appeal.

- (2) Mathias v. Worldcom Technologies, Inc.

United States Supreme Court Nos. 00-878, 00-921  
United States Court of Appeals (7<sup>th</sup> Cir.) Nos. 98-3150, 98-3322, 98-4080  
United States District Court (N.D. Ill) No. 98 C 1925  
ICC Nos. 97-0404, 97-0519 and 97-0525 (consol.)

### **Complaint for injunctive and declaratory relief under Section 252(e)(6) of the federal Telecommunications Act of 1996**

On May 20, 2002 and May 28, 2002, the United States Supreme Court entered orders dismissing as improvidently granted the petition for writ of certiorari of the Commissioners of the Illinois Commerce Commission and denying the petition for writ of certiorari of Illinois Bell Telephone Company. In so doing, the Court let stand the Order of the Commission affirmed by the U.S. District Court and the 7<sup>th</sup> Court of Appeals while also leaving undisturbed the decision of the 7<sup>th</sup> Circuit which held that Commission orders which interpret and enforce prior Commission decisions under 47 USC §§ 251 and 252 are reviewable in Federal Court under § 252(e)(6). In the Order at issue the Commission had determined that Illinois Bell Telephone Company had violated its interconnection agreements with several competitive local exchange carriers by failing to pay reciprocal compensation to those carriers for the costs incurred by those carriers in terminating Internet-bound telecommunications traffic which had originated on Illinois Bell's system.

The 7<sup>th</sup> Circuit had determined the Commission's decision to be in conformance with federal law. The matter is now proceeding in the Illinois Appellate Court (3<sup>rd</sup> Dist.) for a determination as to whether the decision violates state law.



# **SECTION 7**

**Studies and  
Investigations  
Required by  
State Statutes**



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***(7) A description of the status of all studies and investigations required by this Act, including those ordered pursuant to Sections 4-305, 8-304, 9-242, 9-244, and 13-301 and all such subsequently ordered studies or investigations.***

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#### **Section 4-305: Emission Allowance Reports**

Section 4-305 directs the Illinois Commerce Commission to collect from each utility and each affiliated interest of a public utility owning an electric generating station, on a quarterly basis, information relating to the acquisition or sale of sulfur-dioxide emission allowances, as defined in Title IV of the Federal Clean Air Act Amendments of 1990. The Commission is also directed to include such information in each of its annual reports, beginning with the 1993 annual report due January 31, 1994.

As of December 31, 2001, the Commission received quarterly reports for the fourth quarter 2001 through the third quarter 2002 from four public utilities with generating units affected by the Clean Air Act: Alliant (Interstate Power), AmerenUE, Central Illinois Light Company, and MidAmerican Energy Company.

The Commission received quarterly reports for the fourth quarter 2001 through the third quarter 2002 from Electric Energy Inc.<sup>1</sup>, which owns generating units affected by the Clean Air Act and is an affiliate of the following public utilities: Illinois Power, AmerenUE, and AmerenCIPS.

The Commission received quarterly reports for the fourth quarter 2001 through the third quarter 2002 from Rocky Road Power LLC<sup>2</sup>, and Dynegy Midwest Generation, Inc.<sup>3</sup> Both companies are affiliates of Illinois Power and both companies own generating units affected by the Clean Air Act.

The Commission received quarterly reports for the fourth quarter 2001 through the third quarter 2002 from Ameren Energy Generating Company<sup>4</sup>, which owns generating units affected by the Clean Air Act and is an affiliate of AmerenCIPS and AmerenUE.

All utilities and affiliated interests subject to the Section 4-305 reporting requirements are currently in compliance. Appendix C contains the fourth quarterly report for 2001 and the first three quarterly reports for 2002 for all reporting entities. Because the forms require the reporting entities to record a running total of all allowance allocations and transactions, the third quarter reports contain all information regarding the allocations and transactions that have occurred during the first three quarters of 2002.

#### **Section 8-304: Estimated Billing Practices**

This section states that the Illinois Commerce Commission shall perform a comprehensive study of estimated billing practices and policies of the major regulated public utilities providing natural gas and/or electric services.

For purposes of this study, the Commission selected the following major regulated public utilities providing natural gas and/or electric services to Illinois households:

Central Illinois Light Company  
AmerenCIPS

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<sup>1</sup> Electric Energy Inc is owned by Kentucky Utilities Company (20%), a subsidiary of Powergen plc, AmerenUE (40%), AmerenCIPS (20%), and Dynegy (20%). Ameren owns AmerenUE and AmerenCIPS. Dynegy owns Illinois Power.

<sup>2</sup> Rocky Road Power LLC is owned by Dynegy (50%) and by NRG Energy Inc (50%), a subsidiary of Xcel Energy Inc.

<sup>3</sup> Dynegy Midwest Generation Inc is owned by Dynegy.

<sup>4</sup> Ameren Energy Generating Company is owned by Ameren.



Commonwealth Edison Company  
Illinois Power Company  
MidAmerican Energy Company  
Northern Illinois Gas Company  
Peoples Gas Light & Coke Company  
AmerenUE

These eight utilities comprise over 95 percent of the regulated utility service sales to residential customers in Illinois.

For the study, the companies provided such information as a three year history of the total number of estimated bills broken down by customer class, time of year, geographic location, customer group, and frequency of consecutively estimated bills; the reasons for estimated billing; the costs of relocating and reading meters; the methods or formulas used for establishing the amounts of estimated bills; and the programs or instruments used to minimize the frequency of estimated bills. The study was conducted in 1987. An analysis of the data received was conducted by Commission staff. No activities were required in 2002.

#### **Section 8-403: Cogeneration/Small Power Production**

Section 8-403 states that the Commission shall conduct a study to encourage the full and economical utilization of cogeneration and small power production. In addition to the independent power generation aspect of the study, the Commission is also required to examine the wheeling of electricity between governmental agencies.

This study was completed in 1987. No activities were required in 2002.

#### **Section 8-405.1: Feasibility of Wheeling in Illinois**

Section 8-405.1 directs the Commission, in cooperation with the Illinois Department of Energy and Natural Resources, to investigate the major economic and legal issues surrounding the wheeling of electricity in Illinois and to report the results of its investigation to the General Assembly. In December 1987, the Commission submitted the report titled *Electric Wheeling in Illinois* to the General Assembly.

#### **Section 9-202: Temporary Rate Increase**

On October 1, 1987, 83 Ill. Adm. Code 330 became effective. Among other things, Commission rules set the necessary conditions for a temporary rate increase and provided for refunds with interest should the temporary rate increase granted exceed the permanent rate increase granted.

#### **Section 9-214: Study of CWIP**

The study was completed and was sent to the General Assembly on December 29, 1988. Please see the Commission's 1992 annual report, page 56, for details.

#### **Section 9-216: Cancellation Costs**

There are no plants under construction nor any requests for authority to construct new plants pending before the Commission and given that there is no due date for either the initiation or completion of this rulemaking, the Commission will initiate rulemaking as soon as practical, given the Commission's current workload and resources.

#### **Commonwealth Edison "Rehab" Program Monitoring**

During 1998, ComEd's customers experienced a larger number of electric service outages than in prior years. During July and August 1999, ComEd experienced equipment-related outages in Chicago and other parts of its service territory that, in combination with the outages of 1998, focused attention on

ComEd's power delivery infrastructure. In October 2000, ComEd again experienced significant equipment outages that continued to highlight ComEd's power delivery infrastructure. These equipment outages caused large numbers of ComEd's customers to lose electric service for periods from several hours to days during hot weather.

ComEd investigated these problems, and, on September 15, 1999, issued a report called "A Blueprint for Change." ComEd identified five key areas where it needed to improve its performance: 1) maintenance, 2) equipment protection and monitoring, 3) load and capacity, 4) system optimization, and 5) organization and management.

As a result of the ComEd outages, the Commission ordered investigations of ComEd's transmission, distribution and management systems as those systems existed prior to the outages. These investigations, conducted by Vantage Consulting Inc. (Vantage) and The Liberty Consulting Group (Liberty), identified root causes for these specific outages and provided ComEd with recommendations to improve their transmission and distribution and management systems.

The Commission requested that ComEd provide quarterly reports on the status of its progress towards its own and Liberty's recommendations and contracted with Liberty (the contract with Liberty began in January 2002 and ends in January 2005) to provide reasonable assurance of the accuracy of the ComEd's quarterly report, and to have an independent resource to investigate major outages that may occur in the future. The Commission required that Liberty provide the ICC with (1) reports and independent assessments on ComEd's quarterly reports, and (2) the results and recommendations from any future major ComEd power delivery infrastructure outages or mishaps.

### **Mercury Cleanup in Northern Illinois**

In September 2000, the Attorney General, joined by Cook and DuPage County, filed a lawsuit against Nicor and two of its contractors to compel a swift and effective cleanup of the mercury contamination caused by the past removal of mercury containing regulators within the homes of Nicor's residential customers. In addition to the lawsuit, the AG's office also formed a task force to monitor Nicor's mercury cleanup activities. The Commission took part in the task force and provided assistance in reviewing the plans and other documentation associated with the cleanup of the spilled mercury. On October 10, 2001, this lawsuit was settled among the parties. As a condition of this settlement, Nicor must, for a period of five years, promptly respond to any requests from its customers, who presently or previously had mercury containing regulators within their premise, in order to perform an inspection for mercury contamination and to follow agreed upon protocols to clean up any discovered mercury contamination.

### **ECONOMIC DEVELOPMENT PROGRAM**

The Commission's economic development activities, as directly related to the Illinois Public Utilities Act, are coordinated by the Financial Analysis Division (FAD). A summary of the program since its inception may be found in the 1996 and previous Commission annual reports.

The Commission coordinates its economic development activities with other state agencies, including the Department of Commerce and Community Affairs. Commission staff members represent the Commission on interagency task forces that relate to the Commission's economic development activities. Individual economic development project proposals are reviewed in conjunction with appropriate staff from utilities, state and local government, and private businesses. Staff comments on tariff and/or rate filings by utilities and testimony in rate case proceedings serve to further articulate Commission policies in the area of economic development.

As implementation of customer choice continues, Commission rulemakings and decisions in the following areas will be assessed on an ongoing basis to evaluate impacts on economic development:

- |   |                                |
|---|--------------------------------|
| - requirements for alternative electric suppliers | - consumer-education materials |
| - delivery services tariffs                       | - distributed resources        |
| - neutral fact finder process                     | - real-time pricing            |



# **SECTION 8**

**Impacts of  
Federal Activity  
on State Utility  
Service**



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***(8) A discussion of new or potential developments in federal legislation, and federal agency and judicial decisions relevant to State regulation of utility service.***

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## **COMMISSION POLICY AND ACTIONS IN FERC PROCEEDINGS**

The Federal Energy Regulatory Commission (FERC) regulates, among other things, the rates for wholesale electricity sales by public utilities and transmission in interstate commerce, the sale or resale of natural gas by interstate pipelines, and the transportation of natural gas by interstate pipelines. The primary goal of the Illinois Commerce Commission's Federal Energy Program is to ensure that the rules, policies, rates, and terms and conditions of service that FERC establishes for electric transmission service, bulk power sales, and natural gas pipeline transportation are fair and reasonable for Illinois energy consumers. The activities of the Federal Energy Program are discussed in more detail in the following sections.

### **DEVELOPMENTS IN THE NATURAL GAS INDUSTRY**

Interstate natural gas pipeline transportation service operates under the Order 636 open access rules adopted by FERC in 1992. In 2002, FERC continued to hone its interstate natural gas transportation policy through incremental modifications through the implementation of Order 637. FERC's gas policy continues to focus on improving the efficiency of the natural gas market, increasing competition and protecting consumers against the exercise of market power by pipelines.

Illinois and the Midwest in general, continues to see major activity in new interstate natural gas pipeline construction proposals. These proposals are in response to continued growth in natural gas demand and increased access to newer gas supply basins such as those in western Canada.

### **DEVELOPMENTS IN THE ELECTRIC POWER INDUSTRY**

In 1996, FERC issued Order 888. This landmark administrative rule is intended to facilitate broad open access to transmission facilities and a nation-wide competitive wholesale electric power market. Order 888 requires each transmission-owning electric utility to have generally available open access transmission tariffs on file, functionally separate wholesale power sales functions from operation of the transmission system and charge themselves and their affiliates the same rates for wholesale transactions that they charge third-party transmission customers. On December 20, 1999, FERC issued Order 2000, a final rule on Regional Transmission Organizations (RTOs), which encouraged public utilities to join RTOs on a voluntary basis for the purpose of developing regional wholesale energy markets.

As it did in 2001, FERC has spent much of 2002 focusing its attention towards the implementation of Order 2000 and the development of RTOs. Currently, Illinois electric utilities have stated their intention to participate either –in the Midwest Independent Transmission System Operator (MISO) or the PJM Interconnection (PJM). Such participation may either be direct or as part of a so-called independent transmission company ("ITC") operating under the umbrella of the MISO.

In addition to its efforts to implement its RTO initiative, FERC issued a standard market design notice of proposed rulemaking (SMD NOPR). The objective of the SMD NOPR is to remedy any remaining undue discrimination and establish a standardized transmission service and wholesale market design that will provide a level playing field for all entities that seek to participate in wholesale electric markets. Some of the issues that the SMD NOPR will attempt to address include the pricing of new transmission facilities, the creation of a market monitor to mitigate market power abuse and the management of transmission congestion through a locational marginal pricing program. While some of the features of the SMD NOPR

are controversial to states without retail access programs, the bulk of the NOPR, if implemented properly, will be beneficial to consumers in the Midwest and help the ICC meet its statutory mandate of facilitating a competitive electricity market in Illinois.

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16-101, et seq., adopted on December 16, 1997, introduced the concept of delivery services and required Illinois utilities to provide open access to delivery services on a phased-in basis. However, in adopting that statute, the Illinois General Assembly recognized that certain components of delivery service may be subject to FERC jurisdiction. Therefore, the statute states:

An electric utility shall provide the components of delivery services that are subject to the jurisdiction of the Federal Energy Regulatory Commission at the same prices, terms and conditions set forth in its applicable tariff as approved or allowed into effect by that Commission. The [ICC] shall otherwise have the authority pursuant to Article IX to review, approve, and modify the prices, terms and conditions of those components of delivery services not subject to the jurisdiction of the Federal Energy Regulatory Commission ....(220 ILCS 5/16-108)

Consequently, as retail open access is introduced in Illinois, the ICC has been actively engaged at FERC to ensure that the components of delivery service for which FERC has regulatory oversight responsibility are provided at rates, terms, and conditions that are appropriate for Illinois' retail direct access program.

## **SIGNIFICANT DEVELOPMENTS IN THE ILLINOIS REGULATORY ENVIRONMENT**

The Electric Service Customer Choice and Rate Relief Law of 1997, enacted into law in December 1997, fixed a timetable for the introduction of electric retail choice in Illinois, beginning with opening the electric market on October 1, 1999. On that date, approximately 64,000 non-residential electric customers, about one-seventh of all non-residential customers, became eligible to choose a new electric supplier. An additional 609,000 non-residential customers became eligible to choose a new electric supplier on January 1, 2001. The electric market was opened to residential customers in May 2002 so that now all customer classes are eligible to choose alternative suppliers, although to date, no supplier has sought permission from the Commission to serve residential customers and accordingly, no residential customer has switched to an alternative supplier..

In 2002, the Commission certified one Alternative Retail Electric Supplier, increasing the current total number of certified suppliers to seventeen. By the end of 2002, approximately 13,000 non-residential customers had elected to purchase power and energy from an Alternative Retail Electric Supplier or from an electric utility selling outside its service area. Additionally, more than 10,000 customers had taken service under the Power Purchase Option (PPO), a service that is available only in the service areas of the four electric utilities (AmerenCIPS, AmerenUE, ComEd and Illinois Power) that, during 2002, imposed transition charges on customers that take delivery services.

The vast majority of the customers of alternative suppliers are located in the ComEd service area. Interest in delivery services in the AmerenCIPS and Illinois Power service areas centers on the PPO. No customers located in any of the State's other six service areas had switched to delivery services.

## **NATIONAL DEVELOPMENTS**

Several electric industry restructuring bills were introduced in both the U.S. House and the Senate in 2002. Numerous hearings were held on these bills. However, the Senate and the House passed different versions of electricity bills in 2002 and the effort died in conference committee. Therefore, no significant electricity legislation was sent to the President for signature in 2002. The Department of Energy, however, issued a number of reports concerning electricity, including a National Transmission Grid Study. The Commission will continue to closely monitor legislative developments at the national level.

## FEDERAL JUDICIAL ACTIONS

On March 4, 2002, the United States Supreme Court issued an opinion in *New York et al. v. FERC*, 535 U.S. 1 (2002), upholding FERC's Order No. 888. The Supreme Court's decision addressed only two issues, both involving the scope of FERC's jurisdiction over retail electric transmission. In the opinion, the Court found that FERC's proposal with respect to *unbundled* retail transmission was within the statutory authorizations of the Federal Power Act. On the second issue, the Court found that FERC's reasoning for not regulating the transmission component of bundled retail sales service was valid – namely that such relief was not necessary and the desired remedy “raises numerous difficult jurisdictional issues” that are better considered in other contexts. The Supreme Court's decision represents the final judicial test of FERC's Order No. 888.

On July 12, 2002, the United States Court of Appeals for the District of Columbia (“DC Circuit” or “Court”) issued a decision in *Atlantic City Electric Co. v. FERC*, 295 F.3d 1 (D.C. Cir. 2002). The Court addressed three issues: (1) whether FERC had authority to require the Petitioners to give up their statutory rights under section 205 of the Federal Power Act (“FPA”) in order to implement an agency regulation (Order No. 888), (2) whether FERC may extend its jurisdiction under section 203 of the FPA to require the Petitioners to modify the Independent System Operator (“ISO”) agreement to allow withdrawal only upon approval by the FERC, and (3) whether FERC may require that pre-existing wholesale power contracts be modified without a showing that it is required by the public interest as necessitated under the Mobile-Sierra doctrine. The Court said no to all three of these questions. Ultimately, the Court agreed with the Petitioners that FERC exceeded its statutory authority by requiring the owners of transmission assets to give up their right to file rate changes under section 205 of the FPA and that FERC lacks jurisdiction under section 203 of the FPA to require the owners of transmission assets to modify their ISO agreements to require FERC approval for withdrawal from an ISO where there is no transfer of ownership. The Court also agreed with petitioner PSE&G that FERC's requirement that the generic reformation of pre-existing wholesale power contracts to reflect transmission pricing concepts under Order No. 888, without a showing that the public interest required it, failed to comply with the Mobile-Sierra doctrine.

On October 4, 2002, the United States Court of Appeals for the First Circuit issued an opinion in *Sithe New England Holdings, et al., v. FERC*, 308 F.3d 71 (1<sup>st</sup> Cir. 2002). The Decision upheld a FERC order rejecting the demands of two New England Generators that FERC impose higher installed capacity payments (ICAP) retroactively. This opinion is the last of a lengthy battle in New England over the appropriate ICAP charge. After deciding in August 2001 to replace the existing \$0.17/kW-month ICAP charge with a \$4.87 charge, FERC refused to order that the new charge be imposed retroactively despite arguments by New England generators to the contrary. The First Circuit Court upheld FERC's decision finding that retroactive refunds would provide a windfall to the generators and are not required by statute.





# **SECTION 9**

## **Recommendations for Proposed Legislation**



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***(9) All recommendations for appropriate legislative action by the General Assembly.***

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The Commission's legislative agenda for 93rd General Assembly is currently being formulated. A detailed discussion of specific proposals currently under consideration would be premature at this time.



# **Appendix A**

## **Summary of Significant Commission Decisions**



## SUMMARY OF SIGNIFICANT COMMISSION DECISIONS

### GENERAL

**01-0824 Illinois Commerce Commission  
On Its Own Motion  
Revision of 83 Ill. Adm. Code 265**

On June 19, 2002, the Commission entered an Order repealing the existing 83 Ill. Adm. Code 265, "Protection of Underground Utility Facilities," and adopting a new 83 Ill. Adm. Code 265. The new Part 265 implements revisions to the Illinois Underground Utility Facilities Damage Prevention Act.

### ELECTRIC UTILITY DOCKETS

**00-0078 Commonwealth Edison Company  
Petition pursuant to Section 200.900 to Re-open for  
Purposes of Modifying an Order**

On December 4, 2002, the Commission granted Commonwealth Edison's Petition to Reopen this Docket for the sole purpose of reflecting in an Order, Commonwealth Edison's agreement to pay a \$900,000 fee in connection with a \$450,000,000 refinancing undertaken on September 14, 2000 pursuant to authority granted in the original Order.

**00-0199 WPS Energy Services, Inc.  
Application for Certificate of Service Authority under Section 16-115  
of the Public Utilities Act.**

On October 31, 2002, a mandate was issued in this matter, following a decision by the Appellate Court, Fifth District which reversed the Commission's decision of May 9, 2001, and remanded the case to the Commission for further proceedings. In that decision, the court reversed the Commission's construction of the reciprocity provisions of Section 16-115(d)(5) of the PUA. Proceedings on remand are in progress, with a deadline of April 30, 2003.

**02-0428 Central Illinois Light Company, Ameren Corporation  
Application for authority to engage in a reorganization, and to enter into various  
agreements in connection therewith, including agreements with affiliated interests,  
and for such other approvals as may be required under the Public Utilities Act to  
reasonably effectuate the reorganization.**

Petitioners sought the authority to merge CILCO with AmerenCIPS and AmerenUE. Based upon a compromise between the companies, Staff and intervenors, there were no contested issues and the Commission approved the proposed reorganization on December 4, 2002.

**01-0376 Illinois Commerce Commission, On Its Own Motion  
Amendment of 83 Ill. Adm. Code 451, Certification  
of Alternative Retail Electric Suppliers.**

On April 24, 2002, the Commission entered an order adopting revisions to 83 Ill. Adm. Code 451, "Certification of Alternative Retail Electric Suppliers" ("Part 451"). Certain of these revisions were made to implement provisions of Section 16-115 of the PUA



requiring electric utilities to offer delivery services to all residential customers by May 1, 2002. Other revisions related to financial requirements applicable to ARES.

**01-0423 Commonwealth Edison Company**  
**Petition for approval of delivery services tariffs and tariff revisions and of residential delivery services implementation plan and for approval of certain other amendments and additions to its rates, terms and conditions.**

Commonwealth Edison Company's petition for approval of delivery services tariffs. Matter is in pre-trial discovery and submission of testimony phase. Interim Order was passed. The Audit ordered by the Commission was recently completed and a case schedule is in place. Status on the matter is scheduled for March 13, 2003.

**01-0432 Illinois Power Company**  
**Proposed revisions to delivery services tariff sheets and other sheets. (Tariffs filed on June 1, 2001)**

The Commission entered an order on March 28, 2002 approving certain revisions to Illinois Power Company's delivery service tariffs.

**01-0444 MidAmerican Energy Company**  
**Residential Delivery Services Implementation Plan filed pursuant to Section 16-105 of the Public Utilities Act; Delivery Services Tariffs filed pursuant to Section 16-108 of the Public Utilities Act .**

On June 8, 2001, MidAmerican Energy Company ("MEC" or the "Company") filed a petition with the Commission requesting approval of revisions to delivery service tariffs ("DST") and for approval of a Delivery Services Implementation Plan for Residential customers pursuant to Articles IX and XVI of the Public Utilities Act ("Act"). On March 27, 2002 the Commission entered an Order addressing the tariff revisions sought by MEC.

**01-0465 Central Illinois Light Company**  
**Petition for an Order Concerning Delineation of Transmission and Local Distribution Facilities.**

**Consol.**  
**01-0530 Central Illinois Light Company**  
**Petition for Approval of Residential Delivery Services Implementation Plan Pursuant to Section 16-105 of the Public Utilities Act.**

**Consol.**  
**01-0637 Central Illinois Light Company**  
**Petition requesting the Illinois Commerce Commission to enter an order approving the delivery service tariffs of Central Illinois Light Company, including revisions to the Central Illinois Light Company existing rates, riders, terms and conditions applicable to non-residential delivery services and new rates, riders, terms and conditions applicable to residential delivery services.**

An Order in these consolidated dockets was entered on March 28, 2002. Among other things, that order approved revisions in CILCO's delivery services rates and tariffs for non-residential customers. In addition delivery service rates and an implementation plan for residential were approved consistent with Section 16-104(a)(4) of the PUA, which provides that delivery services for residential must be offered before May 1, 2002. The Commission also made findings regarding CILCO's proposed delineation of transmission and local Distribution Facilities. CILCO's rehearing request was denied.

**01-0528 Interstate Power Company and South Beloit Water, Gas and Electric Company**

- Consol.  
01-0628**      **Joint Petition for Approval of Residential Delivery Services Implementation Plan submitted pursuant to Section 16-105 of the Public Utilities Act.**
- Consol.  
01-0629**      **Interstate Power Company  
Petition for Approval of Delivery Services Tariffs submitted pursuant to Section 16-108 of the Public Utilities Act.**
- Consol.  
01-0629**      **South Beloit Water, Gas and Electric Company  
Petition for Approval of Delivery Services Tariffs Submitted Pursuant to Section 16-108 of the Public Utilities Act.**
- On September 28, 2001, Interstate Power Company ("IPC") and South Beloit, Water, Gas and Electric Company ("SBWGE") (or collectively "Companies"), filed Petitions seeking approval of their Delivery Services Implementation Plan and their Delivery Services Tariffs for Residential Customers. On March 28, 2002, the Commission entered Orders approving delivery service tariffs.
- 01-0562**      **Midwest Generation, LLC  
-vs-  
Commonwealth Edison Company**  
Complaint as to unjust unreasonable, and anti-competitive energy and capacity charge for station power, request for refunds, with interest, and other relief.
- Midwest Generation v. ComEd, defined when agreement to arbitrate disputes will be upheld.
- 02-0064**      **Ameren Energy Marketing Company  
Application for Certificate of Service Authority under Section 16-115 of the Public Utilities Act.**
- On April 2, 2002, the Commission entered an order granting a Certificate to Ameren Energy Marketing Company, an affiliate of Central Illinois Public Service Company and Union Electric Company, to operate as an alternative retail electric supplier in the service areas of all of the Illinois electric utilities.
- 02-0153**      **Illinois Commerce Commission, On Its Own Motion  
-vs- Central Illinois Light Company  
Proceeding pursuant to Section 16-111(g) of the Public Utilities Act concerning proposed transfer of generation assets to a subsidiary and entry into related agreements.**
- Consol.  
02-0140**      **Central Illinois Light Company  
Request for the confidential treatment of the notice of transfer of generation assets to a subsidiary and entry into various agreements pursuant to Section 16-111(g) of the Illinois Public Utilities Act.**
- The Commission entered an order on April 10, 2002 approving the transfer of Central Illinois Light Company's generating plants to a subsidiary.
- 02-0455**      **Commonwealth Edison Company  
Verified emergency petition for a declaratory ruling.**
- On September 4, 2002, the Commission entered an order which found that ComEd is not obligated under any provisions of the Public Utilities Act to pay the retail rate under its Rider 3 for energy generated at Resource Technology Corporation's Pontiac facility that

is in excess of 10 MW. The order concluded that the Qualified Solid Waste Energy Facility ("QWSEF") status of the Pontiac facility is limited to 10 MW.

- 02-0479 Commonwealth Edison Company**  
**Petition for declaration of service currently provided under Rate 6L to 3 MW and greater customers as a competitive service pursuant to Section 16-113 of the Public Utilities Act and approval of related tariff amendments.**

Docket involved the determination of status of competition for large end-users of electricity within Commonwealth Edison's service territory. The Commission entered an interim order on November 14, 2002 and the second phase of the docket is continuing.

- 02-0561 Illinois Power Company**  
**Petition for an order pursuant to Section 7-101 of the Public Utilities Act approving an agreement with an affiliated interest and 7-103 regarding Dividend Payments.**

The Commission entered an order on October 23, 2002 approving an agreement with Illinois Power Company's affiliates and to eliminate the payment of dividends to the parent company without further approval.

#### **GAS UTILITY DOCKETS**

- 00-0620 Citizens Utility Board**  
**Request for an investigation into the current structure of the Nicor Gas Customer Select Pilot Program and the Proposed Changes filed August 10, 2000, Meet the Public Interest Standards and Other Requirements Set Forth in the Public Utilities Act. 220 ILCS 5/4-101; 220 ILCS 5/8-101; 220 ILCS 8-102.**

- Consol. 00-0621 Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Proposed changes to Riders 15 and 16 and related provisions.**

On January 3, 2002, the Commission entered an order on rehearing which addressed the following issues pertaining to Nicor Gas' customer choice program under which customers can choose an alternative gas supplier: the savings in gas inventory carrying costs attributable to the program, the determination of certain charges to participating suppliers, and the effective date for the expanded program.

- 01-0469 North Shore Gas Company**  
**Proposal to implement Riders SVT and AGG, and revise Rider 2, Terms and Conditions, and Table of Contents.**

On March 5, 2002, the Commission entered an order which approved a small volume customer transportation program under which customers can choose an alternative gas supplier. The program is available to small volume (annual consumption of 50,000 therms or less) Rate 2 customers and, on a phased-in basis to residential customers.

- 01-0470 The Peoples Gas, Light and Coke Company**  
**Proposal to revise Riders SVT, AGG, Rider 2, Terms and Conditions, and Table of Contents.**

On March 5, 2002, the Commission entered an order approving revisions to Peoples Gas' existing small volume customer transportation program under which customers can choose an alternative gas supplier. The order extended the availability of the program to residential customers on a phased-in basis.

**01-0696      MidAmerican Energy Company  
Proposed general increase in gas rates.**

In this proceeding, MidAmerican Energy Company requested a general increase in gas rates. The Commission's Final Order in this matter was entered on September 11, 2002.

**02-0067      Illinois Commerce Commission  
On Its Own Motion  
-vs-  
Northern Illinois Gas Company d/b/a NICOR Gas Company  
Proceeding to review Rider 4, Gas cost, pursuant to Section 9-244(c) of the Public  
Utilities Act.**

This matter was originally marked heard and taken in late spring. Due to an anonymous disclosure, the matter was re-opened for the limited purpose of conducting additional discovery. Since re-opening, the Company has elected to withdraw from the PBR program. The investigation by Staff and Intervenors continues.

**02-0176      Illinois Commerce Commission, On Its Own Motion  
Implementation of P.A. 92-0259 regarding alternative gas suppliers**

On July 10, 2002, the Commission entered an order adopting rules that set out the financial, technical and managerial qualifications necessary to receive certification as an alternative gas supplier.

**02-0362      Dominion Retail, Inc.  
Application for Certificate of Service Authority under Section 19-110 of the Public  
Utilities Act**

On July 10, 2002, the Commission entered an Order granting a certificate to Dominion Retail, Inc. d/b/a Peoples Energy Services to operate as an alternative gas supplier. This docket is significant in that it represents the first certificate to be issued under the newly enacted Article 19 of the Public Utilities Act, which authorizes the supplying of natural gas to residential and small commercial customers on a competitive basis.

**WATER UTILITY DOCKETS**

**01-0832      Illinois-American Water Company and Thames Water Aqua Holdings, GmbH  
Joint Application for Approval of Proposed Reorganization and Change in Control  
of Illinois-American Water Company Pursuant to Section 7-204 of the Public  
Utilities Act**

On November 20, 2002, the Commission entered an order approving Thames Water Aqua Holdings, GmbH's acquisition of Illinois-American Water Company under Section 7-204 of the Public Utilities Act. The ultimate parent of Thames Water Aqua Holdings, GmbH is RWE Aktiengesellschaft, Germany's fifth largest industrial group and an international multi-utility service provider.



# **Appendix B**

## **Emission Allowance Reports**

**(Note: The emission reports are not included in the web edition of the report, but are in the printed document.)**